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GMI SUPERANNUATION SCHEME

ANNUAL REPORT & FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

Gareth Morgan Investments

Private Portfolios | Superannuation | KiwiSaver

WHAT YOU CAN EXPECT FROM US

- FAIR TREATMENT FOR ALL INVESTORS
- TOTAL RESPECT FOR INVESTORS AND THEIR MONEY
- DETAILED MONTHLY REPORTING ONLINE
- CLEAR AND HONEST COMMUNICATION
- WEALTH PROTECTION FIRST, GROWTH SECOND
- FEE FOR SERVICE ONLY; NO COMMISSIONS
- DUTY OF CARE, ACCOUNTABILITY

GMI TEAM UPDATES

Gareth Morgan Investments employs 40 staff, all based in our Wellington office, and all involved, one way or another, with our the GMI Superannuation Scheme. Members deal directly with Liz Bushell, Karena Goodall, Eliot Abraham and Anita Patel. They're responsible for answering your phone and email enquiries, processing applications and transfers, and solving any account problems.

Behind the Member Services team are several other groups:

Investment Strategy
making the investment decisions

Compliance and Legal
making sure we tick all the legal boxes

Operations
completing account transactions and reconciliations

Information Technology
developing the software that makes everything tick smoothly

Administration
providing support across all teams

Marketing and Communications
connecting with you and potential members

We have expanded GMI's senior management team to include Cathy Magiannis Chief Executive, and Steve Wiggins General Manager Marketing, Sales and Customer Service. The reason for these appointments is the growth we're experiencing as a company. Both Cathy and Steve have experience in managing organisational growth, so they bring important depth and breadth to the management team.

Cathy led the KiwiSaver implementation team at IRD. She assembled and managed the team that successfully launched KiwiSaver under a very demanding timeframe.

Steve comes to us with more than 15 years of experience in the financial services industry, primarily with AMP. He was responsible for establishing the direct sales force for AMP in New Zealand.

MESSAGE FROM GARETH

It wasn't until early 2009 when governments and central banks really opened their cheque books that the 2007-2008 credit crisis was turned around. At the time there was serious talk of the developed economies sliding into a 1930s-type recession. Despite the mammoth monetary and fiscal rescue packages put in place in the US and Europe, we maintained a cautious investment stance.

It's easy to see in hindsight that we could have thrown caution to the wind and bought the most cyclically sensitive stocks on the basis that there would indeed be a sharp economic and market recovery, and for good measure hedged everything back to the South Pacific peso (the New Zealand dollar, which had been in free fall). We could have, but we didn't. Would we make that same call again? Yes.

The world was full of uncertainty through the first half of 2009. The extent of the rescue packages highlighted the anxiety of those closest to the problems—that the consequences of the financial crisis for economies could be severe. Recent events in Europe have rocked world financial markets again and highlight the fact that the crisis may not be dead and buried, yet.

How have we approached investing your money in this environment?

We've pretty much stuck to our knitting—what's going on in markets doesn't change our investment philosophy. Here's a recap of our core philosophies and how they affect your portfolios and returns.

Wealth preservation is our number one priority.

Growing your wealth is a second order priority. You work hard to build your retirement savings so it's critical that those savings are intact for your retirement. We are never 100% invested in share markets, even for growth portfolios, and often we choose to hold substantially more cash than our benchmarks. When considering any investment, we always ask ourselves "what if we're wrong?"

This approach doesn't always translate into positive returns, but it can help us avoid the full impact of falling markets; on the other hand it means we'll probably lag in a quickly rising market. Our approach doesn't mean we're immune to market fluctuations, but it generally provides less volatility.

We are a diversified global investment manager.

A key investment principle, in our view, is diversification—spreading your savings across a large number of investments to minimise the impact of any one investment failing. New Zealand offers just a tiny fraction of the world's possible investments. Given that most Kiwis are heavily exposed to New Zealand assets already (via their job and house) we take the view that their wealth is best protected in the medium to long-term by investing their savings in the world's capital markets.

An important consequence of investing globally is that investment returns, which are reported in New Zealand dollars, are pretty exposed to the gyrations in the New Zealand dollar, one of the world's most volatile currencies.

The climb in the New Zealand dollar last year was a major factor denting returns in our Growth portfolio. The more conservative your investment mandate is, the more exposed to New Zealand dollar assets you will be, and thus the less your returns will be affected by fluctuations in the New Zealand dollar.

We are an active investment manager.

Financial markets are dynamic and can be very volatile. In managing your savings we believe it's important to respond to rather than ignore changes in market conditions. We constantly review the degree of exposure your portfolio has to share markets and currencies and we make changes in exposure levels on the basis of anticipated economic and financial market developments. We reject the idea of setting your portfolio exposures according to specific criteria and then leaving it to ride the full ups and downs that markets deliver.

It is important to know that active management is not synonymous with an aggressive or high risk approach. In fact it can mean quite the opposite—we have approved absolute investment limits beneath which we exercise our investment judgement.

Understanding the investment approach of your superannuation scheme manager is a really important aspect of being a savvy investor. Now I'm the first to admit that our style won't suit everyone. That's fine. But it is important that you understand what we do, how we do it, and what that means for your portfolio. You're always welcome to email or phone us with your questions.

Cheers

Gareth

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GMI SUPERANNUATION SCHEME • Trustee Report to Members

For the year ended 31 March 2010

In accordance with section 14 and Schedule 2 of the Superannuation Schemes Act 1989, Public Trust (the "Trustee") reports as follows:

The numerical changes in the membership of the Scheme for the year ended 31 March 2010 are:

Total Scheme Membership	Year ended 31-Mar-10
Opening	-
New Entrants	28
Withdrawals	-
Closing	**28**

The financial statements of the Scheme for the year ended 31 March 2010 are attached (pages 5 - 14).

The auditor's report on the financial statements of the Scheme is attached (page 15).

In the year ended 31 March 2010, there have been no amendments to the trust deed.

Scheme Management Information

Trustee	Public Trust
Administration Manager	Gareth Morgan Investments Limited Partnership
Investment Manager	Gareth Morgan Investments Limited Partnership (formerly Gareth Morgan Investments Limited)
Insurer	QBE Insurance Limited
Auditor	KPMG
Solicitor	DLA Phillips Fox

All correspondence from members to the Trustee should be sent to:
General Manager
Corporate Trustee Services, Public Trust
Level 10, 141 Willis Street, PO Box 5067, Wellington

The Directors of Public Trust are:

Current Directors:

Trevor David Janes - appointed Chairman 1 May 2010
Candis Eileen Craven
Rodger John Finlay - appointed 1 May 2009
Robin Gilmer Hill
Susan Mary Anna McCormack - appointed 1 May 2010
Fiona Ann Oliver - appointed 1 November 2009
Hinerangi Ada Raumati - appointed 1 November 2009
Sarah Mary Roberts

Former Directors:

David Russell Edwards - resigned 30 April 2009
Hon Matthew Peter Robson - resigned 30 April 2009
Murray David Weatherston - resigned 31 October 2009
Fiona Sheryl Pimm - resigned 31 October 2009
Donal Francis Curtin - resigned 30 April 2010

The benefits payable from the Scheme are based on the investment return of the Scheme's assets. The table below indicates the average month end interim rates of return for each of the three underlying portfolios, used to calculate the benefit payable to members if they withdrew from the Scheme during the period to 31 March 2010. The returns are net of tax and fees, and are shown to represent members on a Prescribed Investor Rate of either 19.5% or 30%.

	Conservative portfolio		Balanced portfolio		Growth portfolio	
Month of withdrawal	19.5% PIR	30% PIR	19.5% PIR	30% PIR	19.5% PIR	30% PIR
2009						
Apr						
May	0.00%	0.17%	-0.92%	-0.86%	-1.61%	-1.60%
June	0.25%	0.33%	-0.26%	-0.25%	-0.68%	-0.71%
July	0.64%	0.65%	1.82%	1.80%	2.76%	2.74%
Aug	0.02%	0.07%	-0.65%	-0.64%	-1.70%	-1.73%
Sept	-0.16%	-0.14%	-0.32%	-0.35%	-1.25%	-1.25%
Oct	0.09%	0.11%	0.15%	0.16%	-0.64%	-0.55%
Nov	0.42%	0.46%	1.08%	1.10%	1.97%	2.05%
Dec	0.32%	0.30%	0.24%	0.22%	-0.07%	-0.06%
2010						
Jan	-0.19%	-0.20%	-1.39%	-1.36%	-1.76%	-1.74%
Feb	0.52%	0.50%	0.85%	0.81%	1.27%	1.24%
Mar	0.87%	0.83%	1.50%	1.42%	2.92%	2.89%

There were no withdrawals from the Scheme over the period to March 2010. As the Scheme did not receive its first contribution until May 2009, no performance is reported for April.

The most recent prospectus of the Scheme was registered on 17 March 2010.

GMI SUPERANNUATION SCHEME • Trustee Certificate

For the year ended 31 March 2010

To the Members of the GMI Superannuation Scheme (the "Scheme") for the Year Ended 31 March 2010

As required by the Second Schedule of the Superannuation Schemes Act 1989, Public Trust as Trustee confirms that all contributions required to be made to the Scheme during the financial year in accordance with the terms of the Trust Deed have been made.

Further, Public Trust as Trustee hereby certifies that:

1. All the benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been paid.

2. 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.

....Date..
Dennis Church, General Manager
Corporate Trustee Services
Public Trust

GMI SUPERANNUATION SCHEME
Statement of Changes in Net Assets
For the year ended 31 March 2010

		Total Scheme Year ended 31-Mar-10
	Notes	$
Investment activities		
Income		
Dividends		11,182
Interest income		22,370
Net changes in fair value of investment assets and liabilities	9	59,039
Net investment income		**92,591**
Expenses		
Management and general administration fees*	14	13,566
Miscellaneous transaction fees		25
Interest expense		(3)
Deductible brokerage fees		-
Total expenses		**13,588**
Net Profit/(Loss) before membership activities		**79,004**

** The Manager incurs all Scheme trustee fees, audit fees and investment management fees and ordinary expenses on behalf of the Scheme. The Manager recoups these expenses through its management fee.*

The notes attached form an integral part of these financial statements

GMI SUPERANNUATION SCHEME
Statement of Changes in Net Assets Attributable to Members
For the year ended 31 March 2010

		Total Scheme Year ended 31-Mar-10
	Notes	$
Net Profit/(Loss) before membership activities		79,004
Total comprehensive income		**79,004**
Membership activities:		
Contributions	4	3,307,609
Withdrawals	4	-
Members' PIE tax for period		(3,133)
Net membership activities		**3,304,476**
Benefits accrued to members' accounts		**3,383,480**
Members' funds at beginning of the period		-
Members' funds at end of the period		**3,383,480**

The notes attached form an integral part of these financial statements

GMI SUPERANNUATION SCHEME
Statement of Net Assets
As at 31 March 2010

		Total Scheme as at 31-Mar-10
	Notes	$
Assets		
Cash and cash equivalents	15	72,395
Receivables	16	15,409
Investment portfolio	13	3,288,279
Derivatives held for trading		15,514
Total assets		**3,391,597**
Less Liabilities		
Investments payable		-
Management fees payable	14	(3,014)
Members' PIE tax payable		(5,103)
Liability for members' funds		(3,383,480)
Total liabilities and members funds		**(3,391,597)**

The notes attached form an integral part of these financial statements

On behalf of the board members of Public Trust who authorised these financial statements for issue:

Board Member ....Date 29/07/2010

Board Member ....Date 29/07/2010

	Notes	Total Scheme Year ended 31-Mar-10 $
Cash flows utilised by operating activities		
Cash was provided from:		
Interest received from bank accounts		3,825
Cash was applied to:		
Payment of management fees	14	(10,552)
Interest expense		3
Net cash flows utilised by operating activities		**(6,724)**
Cash flows utilised by investing activities		
Cash was provided from:		
Sale of investments		25,875
Cash was applied to:		
Purchase of investments		(3,256,336)
Net cash flows utilised by investing activities		**(3,230,461)**
Cash flows from financing activities		
Cash was provided from:		
Members' contributions	4	3,307,609
Cash was applied to:		
Benefits paid or transferred	4	-
Members' PIE tax paid		1,970
Net cash flows from financing activities		**3,309,579**
Net increase in cash		**72,394**
Add opening cash and cash equivalents		-
Closing cash and cash equivalents		**72,394**

Reconciliation of Cash Flows from Operating Activities to Net Loss before Membership Activities

	Notes	Total Scheme Year ended 31-Mar-10 $
Net cash flows utilised by operating activities		(6,724)
Adjusted for:		
Income from investments		88,767
Brokerage expense		-
Movement in management fee payable		(3,014)
Miscellaneous transaction fees		(25)
Adjusted flows from operating activities		**79,004**
Net Profit/(Loss) before membership activities		**79,004**

The notes attached form an integral part of these financial statements

1 Reporting Entity

The financial statements are for the reporting entity GMI Superannuation Scheme (the "Scheme") which is domiciled in New Zealand. The Scheme is a defined contribution scheme under the Superannuation Schemes Act 1989.

The Scheme was established in Wellington under a trust deed for the GMI Superannuation Scheme dated 18 December 2008. The Scheme first received members' funds and started investing after 1 April 2009, therefore this is the Scheme's first financial statements.

The financial statements are for the Scheme and represent the operating result for a twelve month period to 31 March 2010.

The Scheme comprises various portfolios (the "Portfolios") as detailed below. Notwithstanding the division of the Scheme into portfolios, the Scheme comprises a single trust fund with the value of the members' interest in the Scheme determined by amounts held in individual member accounts.

• Conservative portfolio • Balanced portfolio • Growth portfolio

2 Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with the trust deed governing the GMI Superannuation Scheme, the Superannuation Schemes Act 1989, the Financial Reporting Act 1993, and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The financial statements 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 financial statements comply with International Financial Reporting Standards ("IFRS"). The Scheme is a profit-orientated entity.

The financial statements were approved by the Trustee on 29 July 2010.

Measurement Base

The financial statements for the Scheme have been prepared on the historical cost basis, except for investments, which are classified as financial instruments at fair value through profit or loss and are measured at fair value, and derivatives, which are classified as held for trading.

The methods used to measure fair values are discussed further in note 3(c).

Functional and Presentational Currency

These financial statements are presented in New Zealand dollars ($), which is the Scheme's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

Use of Assumptions, Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 8 Use of estimates and judgements.

Reclassification of comparatives

Certain presentational changes have been made to the Cash Flow Statement and related notes to ensure consistency with current year treatment. These changes, which have been applied retrospectively, are listed below:

• Reclassification of Cash flows utilised by investing activities between Purchase of investments and Sale of investments.

Other accounting developments

(i) Disclosures pertaining to fair values and liquidity risk for financial instruments

The Scheme has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments required that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in notes 8 and 12.

Further, the definition of liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments required disclosure of maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Revised disclosures in respect of liquidity risk are included in note 11.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods in these financial statements.

(a) Statement of Cash Flows

The cash flows of the Scheme do not include those of the investment manager. The following are definitions of terms used in the Statement of Cash Flows:

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

Investing Activities - include all activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing Activities - include all activities relating to contributions by members and benefits paid.

(b) Foreign Currency Transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Changes in Net Assets, except those investment assets and liabilities which are recognised together with other net changes in the fair value of investment assets and liabilities in the Statement of Changes in Net Assets.

(c) Financial Instruments
(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, cash and cash equivalents, receivables and payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Scheme becomes a party to the contractual provision of the instrument. Financial assets are derecognised if the Scheme's contractual rights to the cash flows from the financial assets expire or if the Scheme transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Scheme commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Scheme's obligations specified in the contract expire or are discharged or cancelled.

Accounting for income recognition is discussed in note 3(e).

Instruments at fair value through profit or loss
An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated to fair value through profit or loss if the Scheme manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables
Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Investment assets
Investment assets held by the Scheme are classified as at fair value through profit or loss.

Cash and cash equivalents
Cash or cash equivalents comprise cash balances and call deposits, and they are classified as loans and receivables. The carrying value closely approximates their fair value.

Receivables
Receivables are stated at their cost less any impairment losses.

Payables
Payables are classified as other financial liabilities and are stated at cost.

(ii) Derivative financial instruments
Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised in profit or loss. The derivative financial instruments held during the year to 31 March 2010 were forward foreign exchange contracts and are classified as held for trading.

(d) Impairment
The carrying amounts of the Scheme's assets are reviewed at each balance date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Changes in Net Assets.

(e) Income Recognition
Comprises interest income on funds invested, dividend income, changes in fair value through profit or loss and foreign currency gains or losses.

Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Scheme's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Changes in the fair value of investment assets and liabilities are recognised in the Statement of Changes in Net Assets as they arise whether that be foreign currency gains or losses or changes in the realised or unrealised value of investments.

(f) Taxation
The Scheme qualifies as, and has elected to be, a portfolio investment entity ("PIE") for tax purposes. Under the PIE regime, income is effectively taxed in the hands of the members and therefore the Scheme has no tax expense or deferred tax assets or liabilities.

The current tax balance in the Statement of Net Assets represents tax payable/receivable on behalf of the members under the PIE regime.

Under the PIE regime, the manager attributes the taxable income of the Scheme to members in accordance with their proportionate interest in the Scheme. Income attributed to each member is taxed at the member's Prescribed Investor Rate which is capped at 30%. The manager accounts for tax on behalf of natural persons and adjusts the members' interests in the Scheme to reflect that the Scheme pays tax at varying rates on behalf of members.

4 Contributions and Withdrawals

Contributions

Contributions are received either from members directly, from members' employers, or from other superannuation schemes. Contributions are accounted for on a cash basis.

Contributions for the period to 31 March 2010 were received from the following sources:

Total Scheme Year ended 31-Mar-10	$
Member Contributions	16,186
Employer Contributions	71,822
Other, being voluntary member contributions	73,500
Transfers from other schemes	3,146,101
Manager reimbursements	-
Total contributions	**3,307,609**

Due to internal and external constraints, "other contributions" cannot be split into its constituent components. In accordance with the trust deed of the Scheme, all contributions paid to the Scheme on behalf of a member by that member's employer vests immediately in the member.

Withdrawals

Withdrawals for the period to 31 March 2010 were paid to the following recipients:

Total Scheme Year ended 31-Mar-10	$
Scheme transfers out	-
Total withdrawals	-

5 Adoption Status of Relevant New NZ IFRS and Interpretations

The Scheme has elected not to early adopt the following standards which have been issued but are not yet effective, and have not assessed what impact these will have, if any:

- NZ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – Classification of Rights Issues - effective for annual reporting period beginning on or after 1 Jul 2010.
- NZ IAS 24 Related Party Disclosures (revised 2009) - effective for annual reporting period beginning on or after 1 Jan 2011.
- NZ IFRS 9 Financial Instruments - effective for annual reporting period beginning on or after 1 Jan 2013.

6 Members' Benefits

Vested benefits

Vested benefits are benefits the rights to which, under the conditions of the Scheme, are not conditional on continued membership. Under the trust deed of the Scheme all benefits are fully vested. The value of vested member benefits is $3,383,480.

Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

7 Investment Manager, Administration Manager and Trustee

The Investment Manager of the Scheme is Gareth Morgan Investments Limited Partnership.

The Administration Manager of the Scheme is Gareth Morgan Investments Limited Partnership.

The Trustee is Public Trust.

8 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 11).

Key sources of estimation uncertainty

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described below. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Valuation of financial instruments

The Scheme's accounting policy on fair value measurements is discussed in note 3(c).

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

• Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

• Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

• Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price and yield quotations. For all other financial instruments the Scheme determines fair values using valuation techniques. For investments with no active market, fair values are determined using valuations techniques that may make use of recent arm's length transactions of comparable instruments, reference to current market data of comparable instruments, discounted cash flow analysis and option pricing models, and use as much available and supportable market data as possible with judgemental inputs kept to a minimum.

Financial Instrument Hierarchy as at 31 March 2010

	Level 1	**Level 2**	**Level 3**
Bonds and Fixed Interest	-	821,961	-
Equities and unlisted Unit Trusts	1,968,912	-	-
Forward Foreign Exchange Contracts	-	15,514	-
	1,968,912	**837,475**	-

There were no transfers between Level 1 and Level 2 during the period.

9 Net gain/(loss) from Financial Instruments at Fair Value through Profit or Loss

	Total Scheme Year ended 31-Mar-10
	$
Net gain/(loss) from financial instruments held for trading:	
Realised Gains (Loss)	
Derivative financial instruments	(23,691)
Unrealised Gains (Loss)	
Derivative financial instruments	16,592
	(7,099)
Net gain/(loss) from financial assets designated at fair value through profit or loss:	
Realised Gains (Loss)	
Equity investments	178
Debt securities	473
Unrealised Gains (Loss)	
Equity investments	68,974
Debt securities	(178)
	69,447
Net gain/(loss) from financial instruments at fair value through profit or loss	
Realised Gains (Loss)	(3,183)
Unrealised Gains (Loss)	(126)
	(3,309)
Total net gain/(loss) from Financial Instruments at Fair Value through Profit or Loss	**59,039**

10 Funding Policy

In accordance with the trust deed, members may contribute to the Scheme at varying designated rates linked to salaries of members or in lump sum payments. Members may pay additional contributions to the Scheme in excess of any salary linked contributions. These contributions do not affect the level of employer contributions in respect of that member. Employer contribution rates depend on the contribution rate chosen by the member at rates ranging from 1% to 6% of their salary (after the deduction of withholding tax and certain other benefits accrued).

11 Financial Risk Management

(a) Introduction and overview

The Scheme has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk, and the Scheme's management of capital.

Risk management framework

The Scheme maintains positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. The Scheme's investment management strategy is to maintain positions in a diversified range of securities within the asset class target bands dictated by the members' investment directions. The Scheme's investment portfolio comprises quoted and non-quoted equity investments and debt securities, derivative financial instruments and investments in non-quoted investment Schemes that it intends to hold for an indefinite period of time.

Asset purchases and sales are determined by the Scheme's Investment Manager, who has been given discretionary authority to manage the distribution of the assets to achieve the Scheme's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the management of the Manager on a daily basis. In instances where the portfolio has diverged from target asset allocations, the Scheme's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme, resulting in a financial loss to the Scheme. It arises principally from debt securities held, and also from derivative financial assets and cash and cash equivalents. For risk management reporting purposes the Scheme considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Scheme's policy only allows Fixed Interest investment in liquid securities, meaning that there is a secondary market available where these assets are readily traded. In addition, the Scheme has established counterparty limits for investments and derivatives separately depending on their credit rating.

The Scheme has set a 5% limit per issuer for investments in Fixed Interest securities. There is no limit placed on cash deposits.

Exposure to credit risk

The carrying amount of financial assets represents the Scheme's maximum credit exposure.

An exposure of greater than 5% of the value of the Scheme to a counterparty is defined as significant. The Scheme's maximum exposure to credit risk for investments and cash balances by significant counterparty is as follows:

	Total Scheme as at 31 March 2010 $	% of Scheme Assets 2010
ASB Bank - Cash and term deposits	440,893	13.0%
ASB Bank - Fixed Interest securities	44,236	1.3%
Total ASB Bank Credit Risk	**485,129**	**14.3%**
Total Significant Credit Risk Exposure	**485,129**	**14.3%**

The Scheme's cash and cash equivalents are held mainly with ASB Bank which is rated AA (2009: AA) based on rating agency Standard and Poor's ratings. The Investment Manager monitors the financial position of each bank on an ongoing basis.

Investments in debt securities

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments, principally with credit ratings of at least "AA-" as determined by Standard & Poor's. The Investment Manager reviews a monthly rating update from the rating agency and rebalances the portfolio where necessary.

The Scheme may also invest in unrated debt securities whereby the Investment Manager assigns a credit rating to these securities using a methodology that is consistent with that used by the credit rating agency.

At 31 March 2010, the debt securities the Scheme was invested in had the following credit quality:

Rating	2010
AAA	6.6%
AA+	2.7%
AA	40.1%
AA-	39.6%
A+	4.9%
A	2.8%
A-	0.7%
BBB+	1.5%
Not Rated	1.1%
Total	**100.0%**

Derivative financial instruments

The Scheme uses over the counter (OTC) derivatives. OTC derivatives expose the Scheme to the risk that the counterparties to the derivative financial instruments might default on their obligations to the Scheme. Derivative profit and loss positions are monitored daily and the counterparty risk is managed within our issuer guidelines.

Derivative financial instruments are transacted with counterparties which are rated at least AA based on rating agency Standard & Poor's ratings, within predetermined limits, and with whom the Investment Manager has netting arrangements. The netting arrangements provide for the net settlement of contracts with the same counterparty in the event of default. As a result of master netting arrangements, at 31 March 2010, the Scheme would be entitled to offset derivative assets of $17,340 (2009: $0) against derivative liabilities of $1,826 (2009: $0) in the event of counterparty defaults.

For the purposes of reporting in the statement of net assets, outstanding derivative financial assets and liabilities have been netted. The net exposure to credit risk may change significantly within a short period of time due to the highly volatile nature of the fair value of the derivatives underlying the arrangements.

Concentration of credit risk

The Investment Manager reviews credit concentration of securities held based on counterparties and industries and geographical location.

As at the reporting date, the Scheme's securities exposures were concentrated in the following industries:

	Assets as at 31 March 2010	**Income** Year ended 31-Mar-10
Banking and Finance	34.2%	10.2%
Local Government	4.9%	3.8%
Tourism, Hotels, Entertainment	0.0%	0.0%
Natural Resources, Agriculture and Fisheries	6.0%	4.7%
Consumer Goods, Retail, and Manufacturing	12.2%	29.8%
Media, Telecommunications and Technology	3.7%	5.5%
Utilities, Energy, Infrastructure and Transport	6.4%	0.7%
Construction and Property	1.3%	1.3%
Health and Pharmaceuticals	4.0%	2.5%
Emerging Markets	6.6%	10.4%
Specialised Funds	20.7%	31.1%
Total Business Sector Risk	**100.0%**	**100.0%**

As at the reporting date, the Scheme's securities exposures were concentrated in the following geographical locations:

	Assets as at 31 March 2010	**Income** Year ended 31-Mar-10
New Zealand	43.8%	16.1%
Australia	21.8%	38.0%
Great Britain	12.3%	14.0%
United States of America	14.1%	26.9%
Sweden	0.5%	1.1%
Switzerland	4.7%	8.6%
Japan	0.6%	-0.5%
France	0.9%	-0.8%
Spain	1.3%	-3.4%
Total Geographical Risk	**100.0%**	**100.0%**

There were no significant investment concentrations in this portfolio to any individual issuer or group of issuers at 31 March 2010.

Settlement risk

The Scheme's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Scheme mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described earlier.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Scheme.

Management of liquidity risk

The Scheme is not a unitised Scheme. Withdrawals are managed by each member having their share of the Scheme assets sold at the prevailing market price.

Order of liquidity was determined by the time on average it takes to liquidate the Scheme's assets. Cash deposits are with either ASB Bank, ANZ Bank, BNZ Bank or Westpac Bank and able to be withdrawn within 24 hours. However, shares and fixed interest may take longer to liquidate due to their sale on the secondary market, with overseas markets offering greater liquidity than local markets.

Liquidity risk in order of most liquid:

	Total Scheme as at 31 March 2010	% of Scheme
	$	
NZ Cash deposits	379,820	11.2%
Foreign Cash deposits	209,578	6.2%
Overseas Equities	1,196,429	35.3%
NZ Equities	62,371	1.8%
Unlisted Unit Trusts	710,112	20.9%
NZ Fixed Interest	833,287	24.6%
Foreign Fixed Interest	-	0.0%
Total Liquidity Risk	**3,391,597**	**100.0%**

The Scheme may enter into derivative arrangements in the ordinary course of business to manage foreign currency risk. The Investment Manager provides oversight for risk management and derivative activities.

Maturity analysis for financial liabilities

Financial liabilities of the Scheme comprise sundry payables, claims payable and net assets available for benefits. Sundry payables and claims payable have no contractual maturities but are typically settled within 30 days. Net assets available for benefits are payable within 1 to 3 months.

	Carrying Amount	Gross nominal inflow / (outflow)	Less than 1 month	1 to 3 months	3 months to 1 year
31 March 2010					
Non-Derivative Liabilities					
Members' PIE tax payable	(5,103)		(5,103)	-	-
Management fees payable	(3,014)		(3,014)	-	-
Liabilty for members' funds	(3,383,480)		-	(3,383,480)	-
Derivative Liabilities					
Outflows					
Inflows					
	(3,391,597)	-	**(8,117)**	**(3,383,480)**	-

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Scheme's strategy for the management of market risk is driven by the Scheme's investment objectives. The investment objectives of the Scheme's portfolios are to provide investors with access to low, medium and high risk diversified investment portfolios with an allocation of assets spread across local and international cash, fixed interest securities, shares and investment funds.

The Scheme's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The policies and procedures for managing market risk include specific investment limits on the various financial instruments the Scheme invests in that ensure diversity, and the use of forward foreign currency contracts to mitigate fluctuations in foreign currency exchange rates. The risk profiles of the assets of the Scheme are reviewed monthly to ensure compliance with Scheme investment policies and procedures, and are measured in various ways, including standard deviation of monthly historical portfolio returns on an asset class basis. The Scheme's market positions are monitored on a daily basis by management of the Investment Manager.

The Scheme may use derivatives to manage its exposure to foreign currency, interest rate and equity market risks. The instruments available for use include interest rate swaps, forward contracts, futures and options. During the year ended 31 March 2010, forward foreign currency contracts were the only derivative used by the Scheme.

Interest rate risk

The Investment Manager manages interest rate risk by actively managing the average maturity date of the Scheme's fixed interest investments, in response to changes in the Manager's interest rate view.

Only Fixed Interest assets are reported below as these interest bearing assets return income from a fixed interest rate and are recognised at fair value through profit or loss. Fixed Interest made up 24% of the Scheme's total assets as at 31 March 2010.

Interest rate exposure:

	Total Scheme as at 31 March 2010	% of Scheme
	$	
0-7%	520,695	15%
7-10%	312,592	9%
Over 10%	-	0%
Total Interest Rate Exposure	**833,287**	**24%**

Interest rate sensitivity:

At 31 March 2010 it is estimated that a general increase of one percentage point in interest rates will decrease the Scheme's profit before income tax, due to losses on the capital value of fixed interest holdings, by approximately $12,561, and a general decrease of one percentage point in interest rates will increase the Scheme's profit before income tax by approximately $12,856.

Foreign currency risk

The Scheme is exposed to foreign currency risk on investments that are denominated in currencies other than the New Zealand dollar ($). The currencies in which transactions are primarily denominated are Australian dollars (AUD), U.S. dollars (USD), Pound sterling (GBP), Euros (EUR), Swedish kronas (SEK), Canadian dollars (CAD) and Japanese yen (JPY). The Scheme also uses forward exchange contracts to manage its foreign currency risk.

At the year end the Scheme held assets in foreign currencies as follows:

	Total Scheme as at 31 March 2010			
	Non-derivative Financial Assets	Forward Exchange Contracts	**Net Exposure**	**% of Net Scheme Assets**
	$	$	$	2010
Australian dollar	849,697	54,900	904,596	26%
Euros	75,977	(139,501)	(63,524)	-2%
U.S. dollar	514,202	(105,378)	408,824	12%
Pound sterling	431,043	-	431,043	12%
Swiss franc	160,413	-	160,413	5%
Swedish krona	17,732	-	17,732	1%
Norwegian kroner	4	-	4	0%
Canadian dollar	40,463	21,023	61,487	2%
Japanese yen	19,530	(101,888)	(82,358)	-2%
Total foreign currency risk	**2,109,061**	**(270,844)**	**1,838,217**	**54%**
New Zealand dollar	1,267,022	287,776	1,554,798	46%
Total currency risk	**3,376,083**	**16,932**	**3,393,015**	**100%**

In respect of other monetary assets and liabilities held in currencies other than New Zealand dollars, the Scheme ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Foreign exchange sensitivity:

If the New Zealand dollar strengthened by a further 15%, the Scheme's income would have decreased by $78,234. The analysis assumes that all other variables, in particular interest rates, remain constant. A rate of change of 15% for 2010 was considered appropriate because it approximated the actual movement of the New Zealand dollar on a trade weighted period over the period.

A weakening of the New Zealand dollar by 15% would have an equal but opposite effect, on the basis that all other variables remain constant.

Equity price risk

Equity price risk relates to the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

Price risk is managed by the Investment Manager by diversifying the portfolio across a number of instruments and investment themes. The majority of equities held by the Scheme are large cap listed equities, which are priced and monitored daily by the Investment Manager. Equity positions are formally reviewed monthly and the position will be rebalanced if the current holding deviates more than 0.2% from the preferred position.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Scheme's operations either internally within the Scheme or externally at the Scheme's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

Operational risks arise from all of the Scheme's activities.

The Scheme's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- contingency plans
- ethical business standards
- risk mitigation, including insurance where this is effective.

The directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via ad-hoc discussions with the service providers.

(f) Capital management

The Scheme's capital is represented by the market value of the underlying investments held by the Scheme on behalf of its members and is reflected in the Statement of Net Assets. In accordance with the accounting policies and the risk management policies in note 11, the Scheme endeavours to invest the contributions received in appropriate investments whilst maintaining sufficient liquidity to meet any withdrawal requests.

The Scheme is not subject to any externally imposed capital requirements.

12 Financial assets and liabilities

Accounting classifications and fair values

The table below provides reconciliation of the line items in the Scheme's statement of net assets to the categories of financial instruments.

	Total Scheme 2010				
	Held for trading	Designated at fair value	Loans and receivables	Other amortised costs	Total carrying amount / Fair value
	Year ended 31-Mar-10	Year ended 31-Mar-10	Year ended 31-Mar-10	Year ended 31-Mar-10	Year ended 31-Mar-10
Assets					
Investment portfolio	-	3,288,279	-	-	3,288,279
Receivables	-	-	15,409	-	15,409
Cash and cash equivalents	-	-	72,395	-	72,395
Derivatives held for trading	15,514	-	-	-	15,514
Total assets	**15,514**	**3,288,279**	**87,804**	**-**	**3,391,597**
Liabilities					
Trade and other payables	-	-	-	-	-
Investments payable	-	-	-	-	-
Management fees payable	-	-	-	(3,014)	(3,014)
Members' PIE tax payable	-	-	-	(5,103)	(5,103)
Derivatives held for trading	-	-	-	-	-
Liability for Members' funds	-	(3,383,480)	-	-	(3,383,480)
Total liabilities	**-**	**(3,383,480)**	**-**	**(8,117)**	**(3,391,597)**

The financial instruments not accounted for at fair value through profit or loss are short-term financial assets and liabilities whose carrying amounts approximate fair value. The carrying amount for financial instruments held at amortised cost closely approximates fair value.

13 Investments

The funds of the Scheme are invested in a range of investments that are not related in any way to the Manager, Trustee or Investment Manager. A summary of the main asset classes held as at 31 March are:

	Total Scheme as at 31 March 2010
	$
Cash and Cash Equivalents	497,406
Fixed Interest	821,961
Income Equities	246,173
Growth Equities	1,722,739
Brokerage fee adjustment	-
Total investments	**3,288,279**

All investments are classified as fair value through profit or loss. The underlying investments that exceed 5% of net assets held by the Scheme are listed below.

Investment securities that exceed 5% of Scheme Assets	Fair Value 31 March 2010	% of Scheme	Asset Class	% of Asset Class
Platinum International	292,002	8.6	Core Equities	39.4%
Blackrock Wholesale Indexed International Equity Fund	236,637	7.0	Core Equities	31.9%

14 Related Party Transactions

Gareth Morgan Investments Limited Partnership is the Sponsor and Manager of the Scheme. Fees paid during the period and payable at the period end to Gareth Morgan Investments Limited Partnership are detailed below.

The Administration Fee paid to Gareth Morgan Investments Limited Partnership is inclusive of Trustee Fees, Audit Fees and Investment Management Fees. No Trustee Fees, Audit Fees, or Investment Management Fees are charged directly to the Scheme.

	Total Scheme as at 31 March 2010
	$
Balance Due at the beginning of the period	-
Current year Management fee	13,566
Actual payment made during the year	(10,552)
Balance due at the end of the period	**3,014**

15 Cash and Cash Equivalents

	Total Scheme as at 31 March 2010
	$
New Zealand dollar bank account balance	72,395
Total investments	**72,395**

16 Receivables

	Total Scheme as at 31 March 2010
	$
Accrued Interest	11,326
Accrued Dividends	4,134
Accrued Cash Flows from closed out forward currency contracts	(51)
Total investments	**15,409**

Receivables denominated in currencies other than New Zealand dollars comprise US$1,334 of trade receivables denominated in U.S. dollars, £890 in Pounds sterling, ¥4918 in Japanese yen, and CAD$25 in Canadian dollars.

17 Contingent Liabilities

As at 31 March 2010, the Scheme has no known outstanding contingent liabilities or commitments.

KPMG

Audit report

To the members of the GMI Superannuation Scheme

We have audited the financial statements on pages 5 to 14. The financial statements provide information about the past financial performance of the Scheme and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 8 to 9.

Trustees' responsibilities

The Trustees are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Scheme as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Trustees and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

• the significant estimates and judgements made by the Trustees in the preparation of the financial statements;

• whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the Scheme in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the Scheme. The firm has no other relationship with, or interest in, the Scheme.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

• proper accounting records have been kept by the Scheme as far as appears from our examination of those records;

• the financial statements on pages 5 to 14:

- comply with New Zealand generally accepted accounting practice;

- give a true and fair view of the financial position of the Scheme as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 29 July 2010 and our unqualified opinion is expressed as at that date.

KPMG

Wellington

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