



Annual Report and Financial Statements | Year ended 31 March 2009

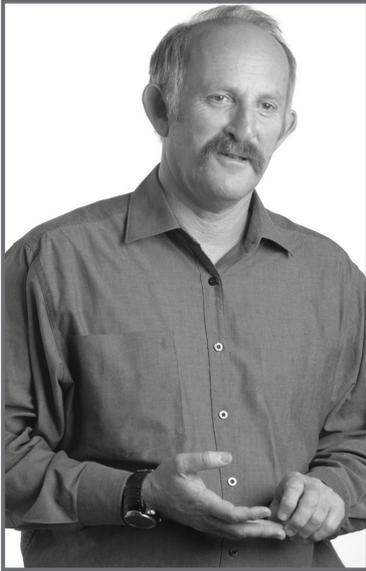
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Investment Statement available
Phone: 0800 427 384 or download at: www.gmk.co.nz

Message from Gareth



What a year – one of the worst for equity markets and economies in over half a century.

The US share market peaked almost two years ago, in October 2007. Between then and March 2009, the market (as measured by the S&P 500

index) dropped from around 1550 to a low of 666. That's more than a 50% fall!

Preserving your savings

We worked to preserve your savings in the face of spewing share markets, but we can't claim complete success in insulating them from the ravages of this economic tsunami.

Our most aggressive portfolio (Growth) was down around 11.5% over the year ended March 2009. That compares with a 21% fall in the world share market index (the MSCI) measured in NZD over the same period, and also compares favourably with many of the other major KiwiSaver providers' returns on growth portfolios, some of whom we believe stuck to rigid share allocations, thus exposing their members to the full force of the downturn.

Our Balanced portfolio also lost ground slightly over the year (down 3.5%), but the Conservative portfolio gained around 3.5% over the year ended March 2009. All returns are after fees but before tax.

A strategy for the times

We attempted to reduce the extent of potential losses in the Growth and Balanced portfolios by keeping or shifting your contributions to cash, refraining from exposing them to a sinking market. At one point the Growth portfolio was less than 50% invested in shares and looked more like a conventional Balanced portfolio. This strategy allowed us to escape some of the share market carnage.

Our investment strategy team's job is to decide what mix of cash and shares we should have in each portfolio. As an active manager we live and breathe economies and financial markets all day every day. Our challenge over the coming year will be to interpret the strength of any recovery and determine how quickly we lift your exposure to shares. This decision is crucial to our performance as the manager of your savings. We're also acutely aware of the quality of these decisions because most people in our office have their savings with the Gareth Morgan KiwiSaver Scheme and/or Gareth Morgan Investments.

Here to stay

Over the 12 months to March 2009, we attracted more than 15,000 new members and funds under management grew by \$104 million. Our relatively low-cost business model (no commissioned sales people, no large corporate offices, no big marketing budgets), plus our success in attracting new members means we think we have a solid KiwiSaver business. Being a 100% New Zealand owned and operated business, rather than some branch office of a multinational corporate, our focus is also entirely on the needs of Kiwi savers. We are here to stay.

continued



Message from Gareth (continued)

Carry on communicating

The Scheme's website www.gmk.co.nz has been a great success in providing existing members with what we believe is the best member account reporting in the business, as well as answering the many questions people have about KiwiSaver. Our Scheme's website has maintained Google's highest PageRank score for any KiwiSaver scheme over the past year. The level of service we provide members via our website, and our personal and prompt email and telephone responses, has certainly been a hit with members.

"Just wanted to say how good your reporting is, this is the first month I have had the full report, very cool"

Clint (a Gareth Morgan KiwiSaver Scheme member)

In October 2008 we sent a web survey to 5,000 of our members. Around 2,500 responded with a clear message: **the team is delivering great service** (around 90% of all respondents rating our service very good or excellent). The full results are on our website.

Beauty parades

You may have noticed various surveys of KiwiSaver providers that tell you how many members each scheme has, their funds under management and in some cases the investment performance of individual funds. Sometimes our figures might not be included in these surveys because we haven't agreed to the terms imposed by the firm collecting and publishing the data.

Some of the survey firms have the cheek to charge schemes for the privilege of using their stats! Yes, ridiculous, so we decided to publish our own numbers every month on our website so that they are available to anyone who wants them, including the media and survey firms. To date we've had over 550,000 hits on the performance webpage.

The Scheme numbers as published on our website as at 31 March 2009 are:

Number of members	35,095
(20,009, as at 31 March 2008)	
Funds under management	\$142.2m
(\$38.5m, as at 31 March 2008)	

Informed investors

We're disappointed, but no longer surprised, when we hear people saying they don't know who their KiwiSaver provider is, or how much money they have in their account. It highlights what lazy investors too many Kiwis are, but it also reflects the appalling lack of effective communication those savers get from their KiwiSaver providers.

People bang on about the lack of financial literacy in this country and there are earnest programmes to bring the light to the masses. But the most effective way to encourage literacy is to make it easy for people to inform themselves about what's happening to their own money. Our online KiwiSaver reports give people regular and detailed information about their KiwiSaver account; the contributions we've received; where we have invested those contributions (showing a full list of investments they own); fees and taxes paid; and the current value and past performance of their account.



The Thinking Kiwi's KiwiSaver Scheme

Investment Statement available at: www.gmk.co.nz

The Gareth Morgan KiwiSaver Scheme

Financial Statements

For the year ended 31 March 2009

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The Gareth Morgan KiwiSaver Scheme Trustee Report to Members

For the year ended 31 March 2009

Pursuant to section 14 and Schedule 2 of the Superannuation Schemes Act 1989, and section 123 of the KiwiSaver Act 2006, we Perpetual Trust Limited, the "Trustee" of the Gareth Morgan KiwiSaver Scheme (the "Scheme") certify the following:

(a) The numerical changes in the membership of the Scheme for the year ended 31 March 2009 are:

	Total Scheme Membership	
	2009 12 months	2008 6 months
Opening	20,009	-
New Entrants	15,336	20,042
Withdrawals	(250)	(33)
Closing	35,095	20,009

(b) The financial statements of the Scheme for the year ended 31 March 2009 are attached (pages 7 - 15).

(c) The auditor's report on the financial statements of the Scheme is attached (page 6).

(d) It has applied contributions received in respect of each member, including contributions paid via the Commissioner of Inland Revenue in respect of that member, in accordance with the trust deed.

(e) All benefits required to be paid by the Scheme in accordance with the terms of the trust deed have been paid.

(f) The net market value of the assets of the Scheme as at 31 March 2009 equals the total value of 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.

(g) No assets of the Scheme during the period were invested directly or indirectly in any employer who is a party to the Scheme or in any company or entity associated with any such employer.

(h) There is no requirement under section 15 of the Superannuation Schemes Act 1989 for the financial position of the Scheme to be examined by an actuary.

(i) There have been no amendments to the trust deed since the last annual report.

(j) **Trust information:**

Trustee: Perpetual Trust Limited

Administration Manager: Gareth Morgan KiwiSaver Limited

Investment Manager: Gareth Morgan Investments Limited Partnership
(formally Gareth Morgan Investments Limited)

Insurer: QBE Insurance (Intl) Limited (formally Lumley General (NZ) Limited)

Auditor: KPMG

Solicitor: DLA Phillips Fox

(k) All correspondence from members to the Trustee should be sent to:

Perpetual Trust Limited
Regional Manager
Corporate Trust
PO Box 3845
Wellington 6140

(l) **The Directors of Perpetual Trust Limited are:**

Sam Maling (Chairman of Perpetual Trust Limited)

Richard Elworthy

Bruce Irvine

Bryan Mogridge

Stephen Montgomery

Warwick Steel

George Kerr (since 26 August 2008)

Former Directors: Brian James Joliffe (resigned 30 June 2009)

(m) 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 benefit payments to members who withdrew from the Scheme during the period to 31 March 2009. The returns are net of tax and fees, and are shown to represent members on a Prescribed Investor Rate (PIR) of either 19.5% or 30%.

Month of withdrawal	Conservative portfolio		Balanced portfolio		Growth portfolio	
	19.5% PIR	30% PIR	19.5% PIR	30% PIR	19.5% PIR	30% PIR
April 2008	1.61%	1.50%	3.34%	3.24%	4.48%	4.42%
May 2008	1.85%	1.68%	3.41%	3.27%	4.88%	4.80%
June 2008	1.32%	1.07%	1.13%	0.90%	0.95%	0.77%
July 2008	2.14%	1.78%	2.34%	1.99%	2.64%	2.36%
August 2008	2.59%	2.17%	2.62%	2.26%	2.67%	2.42%
September 2008	2.05%	1.56%	-0.32%	-0.73%	-4.01%	-4.25%
October 2008	1.90%	1.28%	-2.00%	-2.59%	-7.79%	-8.25%
November 2008	2.58%	1.81%	-1.80%	-2.59%	-8.56%	-9.19%
December 2008	2.66%	1.82%	-2.81%	-3.61%	-10.72%	-11.24%
January 2009	4.44%	3.41%	1.44%	0.27%	-3.79%	-4.80%
February 2009	3.32%	2.30%	-1.42%	-2.55%	-7.51%	-8.49%
March 2009	1.88%	0.99%	-4.95%	-5.72%	-12.40%	-12.87%

(n) The most recent prospectus of the Scheme was registered on 5 September 2008.

(o) The Trustee has, in respect of each member of the Scheme, applied any fee subsidies received in respect of that member in accordance with prescribed requirements.

(p) There is a scheme provider agreement between the Commissioner and the provider of the Scheme that remains in force.

(q) There has been no increase in a fee referred to in clause 2 of the KiwiSaver scheme rules during the year.

The Gareth Morgan KiwiSaver Scheme Trustee Report to Members

For the year ended 31 March 2009

Other Disclosures

KiwiSaver Act 2006 Schedule 1	Total Scheme 2009		Total Scheme 2008	
	Number of Members	\$	Number of Members	\$
Withdrawals:				
The number of members of the Scheme who during the year have made a withdrawal for the purchase of a first home under clause 8 of the KiwiSaver scheme rules and the total amount withdrawn by all of those members:	-	-	-	-
The number of members of the Scheme who during the year have made a withdrawal by a member's personal representative under clause 9 of the KiwiSaver scheme rules and the total amount withdrawn by all of those members:	28	92,032	1	1,256
The number of members of the Scheme who during the year have made a withdrawal on the grounds of significant financial hardship under clause 10 of the KiwiSaver scheme rules and the total amount withdrawn by all of those members:	12	25,459	-	-
The number of members of the Scheme who during the year have made a withdrawal on the grounds of serious illness under clause 12 of the KiwiSaver scheme rules and the total amount withdrawn by all of those members:	9	49,246	-	-
The number of members of the Scheme who during the year have made a withdrawal on the grounds of permanent emigration under clause 14 of the KiwiSaver scheme rules and the total amount withdrawn by all of those members:	-	-	-	-
Transfers to other schemes	152	412,688	30	45,372
Scheme refunds to the Inland Revenue Department	49	70,656	2	1,793
Total Withdrawals	250	650,081	33	48,421
Fees:				
The total amount of fees that have been charged in the period subsequent to the last annual report: * includes administration fees, management fees and trustee fees	32,804	1,510,516	17,818	391,846

KiwiSaver Act 2006 s 123	Total Scheme 2009		Total Scheme 2008	
	Number of Members	\$	Number of Members	\$
The total amount of each type of contribution received by the provider for the year under section 123(5)(f) of the KiwiSaver Act 2006 and the number of members credited with each type:-				
• Employee contributions	23,121	46,167,091	11,956	13,926,984
• Employer contributions	21,669	16,416,142	2,176	2,281,986
• Crown contributions	30,756	31,236,977	16,373	16,562,312
• Transfers from other KiwiSaver schemes	3,010	8,424,942	689	1,047,684
• Transfers from registered superannuation schemes (non KiwiSaver)	173	2,996,282	14	268,561
• Voluntary member contributions	8,712	8,162,605	7,119	4,178,707
Members with accumulations and total accumulations	33,188	113,404,039	18,685	38,266,234
The total amounts of fee subsidies credited to members for the year, under section 123(5)(h) of the KiwiSaver Act 2006 and the number of members credited:	32,660	1,203,361	16,373	327,460

Signed for and on behalf of the Trustee



Richard Elworthy

Date 21 August 2009

Signed for and on behalf of the Trustee



Bruce Irvine

Date 21 August 2009

The Gareth Morgan KiwiSaver Scheme Auditor's Report

For the year ended 31 March 2009



To the members of the Gareth Morgan KiwiSaver Scheme

We have audited the financial statements on pages 7 to 15. The financial statements provide information about the past financial performance of the Gareth Morgan KiwiSaver Scheme ("the Scheme") and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 9 to 10.

Trustee's responsibilities

The Trustee is 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 2009 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 Trustee 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 Trustee 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. Partners and employees of our firm may also deal with the Scheme on normal terms within the ordinary course of trading activities of the business of the Scheme. 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 7 to 15:
 - 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 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 21 August 2009 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'KPMG', with a horizontal line underneath.

Wellington

The Gareth Morgan KiwiSaver Scheme Statement of Changes in Net Assets

For the year ended 31 March 2009

	Notes	Total Scheme Mar-09 12 months \$ 000s	Total Scheme Mar-08 6 months \$ 000s
<i>Investment activities</i>			
Income			
Distribution income/dividends		1,241	72
Interest income		2,918	611
Net changes in fair value of investment assets and liabilities	9	(11,962)	(304)
Net investment income		(7,803)	379
Expenses			
Management and general administration fees*	14	1,511	392
Miscellaneous transaction fees		1	-
Interest expense		5	-
Deductible brokerage fees		(61)	61
Total expenses		1,456	453
Net loss before membership activities		(9,259)	(74)

* 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 Gareth Morgan KiwiSaver Scheme Statement of Changes in Net Assets

For the year ended 31 March 2009

Attributable to Members

	Notes	Total Scheme Mar-09 12 months \$ 000s	Total Scheme Mar-08 6 months \$ 000s
Net loss before membership activities		(9,259)	(74)
Total recognised income and expense		(9,259)	(74)
<i>Membership activities:</i>			
Contributions	4	114,607	38,594
Withdrawals	4	(650)	(48)
Members' PIE tax for period		(936)	(76)
Net membership activities		113,021	38,470
Benefits accrued to members' accounts			
Members' funds at beginning of the period		103,762	38,396
Members' funds at end of the period		38,396	-
Members' funds at end of the period		142,158	38,396

The Gareth Morgan KiwiSaver Scheme Statement of Net Assets

As at 31 March 2009

	Notes	Total Scheme Mar-09 12 months \$ 000s	Total Scheme Mar-08 6 months \$ 000s
Assets			
Cash and cash equivalents	15	12,016	5,412
Trade and other receivables	16	566	63
Investment assets	13	129,622	33,501
Tax credits receivable		155	13
Total assets		142,359	38,989
Less Liabilities			
Trade and other payables			
- Investments payable		(23)	(446)
- Management fees payable	14	(166)	(79)
- Members' PIE tax payable		(12)	(68)
Liability for members' funds		(142,158)	(38,396)
Total liabilities		(142,359)	(38,989)

The notes attached form an integral part of these financial statements

On behalf of the Board of Perpetual Trust Limited who authorised these financial statements for issue:

Board Member



Bruce Irvine

Date 21 August 2009

Board Member



Richard Elworthy

Date 21 August 2009

The Gareth Morgan KiwiSaver Scheme Cash Flow Statement

For the year ended 31 March 2009

	Notes	Total Scheme Mar-09 12 months \$ 000s	Total Scheme Mar-08 6 months \$ 000s
Cash flows utilised by operating activities			
<i>Cash was provided from:</i>			
Interest received from bank accounts		599	282
<i>Cash was applied to:</i>			
Payment of management fees	14	(1,424)	(313)
Interest expense		(5)	
Net cash flows utilised by operating activities		(830)	(31)
Cash flows utilised by investing activities			
<i>Cash was provided from:</i>			
Sale of investments		-	-
<i>Cash was applied to:</i>			
Purchase of investments		(105,531)	(33,095)
Net cash flows utilised by investing activities		(105,531)	(33,095)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Members' contributions	4	114,607	38,594
<i>Cash was applied to:</i>			
Benefits paid or transferred	4	(650)	(48)
Members' PIE tax paid		(992)	(8)
Net cash flows from financing activities		112,965	38,538
Net increase in cash		6,604	5,412
Add opening cash and cash equivalents		5,412	-
Closing cash and cash equivalents		12,016	5,412

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

	Notes	Total Scheme Mar-09 12 months \$ 000s	Total Scheme Mar-08 6 months \$ 000s
Net cash flows utilised by operating activities		(830)	(31)
<i>Adjusted for:</i>			
Income from investments		(8,402)	97
Brokerage expense	13	61	(61)
Movement in management fee payable		(87)	(79)
Miscellaneous transaction fees		(1)	-
Adjusted flows from operating activities		(9,259)	(74)
Net loss before membership activities		(9,259)	(74)

The notes attached form an integral part of these financial statements

The Gareth Morgan KiwiSaver Scheme Notes to Financial Statements

For the year ended 31 March 2009

1 Reporting Entity

The financial statements are for the reporting entity Gareth Morgan KiwiSaver Scheme (the "Scheme") which is domiciled in New Zealand. The Scheme is a defined contribution scheme and is a registered KiwiSaver scheme under the KiwiSaver Act 2006, registration number 10025.

The Scheme was formed pursuant to a trust deed dated 2 April 2007 and first received members' funds and started investing after 1 October 2007. As such the financial statements represent the operating result for a twelve month period, but the 2008 comparatives are only for a six month period.

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. Performance data for the following three underlying portfolios is contained in Appendix 1.

- 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 Gareth Morgan KiwiSaver Scheme, the Superannuation Schemes Act 1989, the KiwiSaver Act 2006, 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 21 August 2009.

Measurement Base

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

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 Judgments

The preparation of financial statements requires management to make judgments, 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.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most effect on the amount recognised in Note 8 *Determination of Fair Values*.

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 income statement, 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, trade and other receivables and trade and other 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 or 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.

Other

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

Investments in equity and debt securities

Investments in equity and debt securities 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, they are classified as loans and receivables and the carrying value closely approximates their fair value.

Trade and other receivables

Trade and other receivables are stated at their cost less any impairment losses.

Trade and other payables

Trade and other payables are stated at cost.

The Gareth Morgan KiwiSaver Scheme Notes to Financial Statements (cont.)

For the year ended 31 March 2009

(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 immediately in profit or loss.

(d) Impairment

The carrying amounts of the Scheme's assets are reviewed at each balance sheet 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 and 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 immediately 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% (33% until 1 April 2008). 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

The Scheme is a registered KiwiSaver scheme. Contributions are received from members either directly or via the Inland Revenue Department. Contributions in the form of the Kick Start payment and annual fee subsidy are received from the Crown via the Inland Revenue Department. Members can also arrange to transfer funds in from other sources, such as from previous KiwiSaver providers or registered superannuation schemes and pension funds. Contributions are accounted for on a cash basis.

Contributions for the period to 31 March 2009 were received from the following sources:

	Total Scheme 12 months ended 31 March 09 \$ 000s	Total Scheme 6 months ended 31 March 08 \$ 000s
Inland Revenue Department:		
- Crown contributions	32,440	16,890
- Employer contributions	16,416	2,282
- Employee contributions	46,167	13,927
Voluntary contributions	8,157	4,179
Scheme transfers in	11,421	1,316
Manager reimbursements	6	-
Total contributions	114,607	38,594

Withdrawals

Under the KiwiSaver Act 2006, the Scheme has a lock in provision until the member reaches the age of eligibility to receive Government Superannuation (currently 65), or has been a member of a KiwiSaver scheme for five years, whichever is later. However, members can apply for an early partial or full withdrawal if they meet the provisions under Schedule 1 of the KiwiSaver Act 2006. Members are also able to transfer their membership to another KiwiSaver scheme and this will trigger a withdrawal in the form of a transfer to the new scheme.

Withdrawals for the period to 31 March 2009 were paid to the following recipients:

	Total Scheme 12 months ended 31 March 09 \$ 000s	Total Scheme 6 months ended 31 March 08 \$ 000s
Scheme transfers out	(413)	(45)
Member / IRD refunds	(71)	(2)
KiwiSaver Act 2006 Schedule 1 withdrawals	(166)	(1)
Total withdrawals	(650)	(48)

The Gareth Morgan KiwiSaver Scheme Notes to Financial Statements (cont.)

For the year ended 31 March 2009

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:

- NZ IFRS 7 Amendment Significance of Financial Instruments for Financial Position or Performance - effective for annual reporting period beginning on or after 1 Jan 2009
- NZ IFRS 8 Operating Segments - effective for annual reporting period beginning on or after 1 Jan 2009
- NZ IAS 1 Presentation of Financial Statements (revised) - effective for annual reporting period beginning on or after 1 Jan 2009
- NZ IAS 1 Amendment to puttable financial instruments and obligations arising on liquidation - effective for annual reporting period beginning on or after 1 Jan 2009
- NZ IAS 32 Amendment to puttable financial instruments and obligations arising on liquidation - effective for annual reporting period beginning on or after 1 Jan 2009

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.

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 KiwiSaver Limited.

The Trustee is Perpetual Trust Limited.

8 Determination of Fair Values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value of all financial instruments is considered to be equivalent to the carrying value.

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date.

9 Net Changes in Fair Value of Investment Assets and Liabilities

	Total Scheme 12 months ended 31 March 09 \$ 000s	Total Scheme 6 months ended 31 March 08 \$ 000s
Realised change in fair value of investments	(6,518)	(103)
Unrealised investments loss - due to market decline	(6,130)	(350)
Foreign exchange gains	686	149
Total net changes in fair value of investment assets and liabilities	(11,962)	(304)

10 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 12, the Scheme endeavours to invest the contributions received in appropriate investments whilst maintaining sufficient liquidity to meet any withdrawal requests.

11 Funding Policy

The Scheme is a Defined Contribution scheme as defined by the KiwiSaver Act 2006. Funding in the form of contributions is received from three sources: Scheme members; Scheme member employers; and the Inland Revenue Department (in accordance with the provisions of the KiwiSaver Act 2006).

The Gareth Morgan KiwiSaver Scheme Notes to Financial Statements (cont.)

For the year ended 31 March 2009

12 Financial Risk Management

Exposure to credit, liquidity and market (interest rate, foreign currency, equity price) risk arises in the normal course of the Scheme's business.

Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

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.

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 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 2009 as at 31 March \$ 000s	% of Scheme 2009	Total Scheme 2008 as at 31 March \$ 000s	% of Scheme 2008
ASB Bank - Cash deposits	32,965	23%	14,788	38%
ASB Bank - Fixed Interest securities	7,719	5%	199	1%
Total ASB Bank Credit Risk	40,684	28%	14,987	39%
ANZ Bank - Cash deposits	9,384	7%	539	1%
UDC Finance (Subsidiary of ANZ National Bank Ltd) - Cash deposits	-	-	3,174	8%
ANZ Bank - Fixed Interest securities	3,005	2%	628	2%
Total ANZ Bank Credit Risk	12,389	9%	4,341	11%
Westpac Bank - Cash deposits	5,929	4%	-	-
Westpac Bank - Fixed Interest securities	1,360	1%	-	-
Total Westpac Bank Credit Risk	7,289	5%	-	-
Total Significant Credit Risk Exposure	60,362	42%	19,328	50%

Business sector risk

In presenting information on the basis of business sectors, sector revenue and assets have been consolidated into similar or alike industries or sectors.

	Assets 2009 as at 31 March \$ 000s	Income 2009 12 months \$ 000s	Assets 2008 as at 31 March \$ 000s	Income 2008 6 months \$ 000s
Banking and Finance	90,084	3,845	21,829	631
Tourism, Hotels, Entertainment	1,539	(207)	410	(26)
Natural Resources, Agriculture and Fisheries	4,041	(1,316)	1,093	3
Consumer Goods, Retail, and Manufacturing	8,045	(847)	2,001	12
Media, Telecommunications and Technology	3,277	(524)	1,021	(65)
Utilities, Energy, Infrastructure and Transport	4,197	(948)	2,148	(9)
Construction and Property	3	(404)	1,575	(62)
Health and Pharmaceuticals	2,852	(133)	151	4
Emerging Markets	4,958	(1,550)	2,080	(35)
Specialised Funds	22,642	(5,719)	6,605	(74)
Total Business Sector Risk	141,638	(7,803)	38,913	379

Geographical risk

In presenting information on the basis of geographical risk, presentation of revenue and assets are based on the geographical location of investments.

	Assets 2009 as at 31 March \$ 000s	Income 2009 12 months \$ 000s	Assets 2008 as at 31 March \$ 000s	Income 2008 6 months \$ 000s
New Zealand	95,215	2,652	24,883	537
Australia	14,582	(1,750)	4,930	(53)
Great Britain	10,484	(5,722)	5,515	(76)
United States of America	17,986	(2,425)	3,128	(47)
Sweden	-	(139)	154	3
Switzerland	3,371	(230)	152	11
Argentina	-	(189)	151	4
Total Geographical Risk	141,638	(7,803)	38,913	379

The Gareth Morgan KiwiSaver Scheme Notes to Financial Statements (cont.)

For the year ended 31 March 2009

Liquidity risk

Liquidity risk represents the Scheme's ability to meet its contractual obligations. The Scheme evaluates its liquidity requirements on an ongoing basis. In general, the Scheme generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

Managing withdrawals

The Gareth Morgan KiwiSaver Scheme is not a unitised fund. 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, 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 2009 as at 31 March \$ 000s	% of Scheme	Total Scheme 2008 as at 31 March \$ 000s	% of Scheme
NZ Cash deposits	20,945	14%	11,934	31%
Foreign Cash deposits	39,344	28%	6,567	17%
Overseas Equities	46,423	33%	13,854	36%
NZ Equities	3	0%	3,188	8%
NZ Fixed Interest	34,923	25%	3,256	8%
Foreign Fixed Interest	-	-	114	0%
Total Liquidity Risk	141,638	100%	38,913	100%

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. No derivatives were entered into during the 2009 financial year, (2008: nil).

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 35 days, as required by the KiwiSaver Act 2006.

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. As reported in the Liquidity Risk section above, Fixed Interest made up 25% of the Scheme's total assets as at 31 March 2009, (2008: 8%).

Interest rate exposures:	Total Scheme 2009 as at 31 March \$ 000s	% of Fixed Interest 2009	Total Scheme 2008 as at 31 March \$ 000s	% of Fixed Interest 2008
0-7%	15,099	43%	82	2%
7-10%	19,824	57%	3,163	94%
Over 10%	-	-	125	4%
Total Interest Rate Exposure	34,923	100%	3,370	100%

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), Great British pounds (GBP), Euro dollars (EUD), Swedish kronas (SEK), Canadian dollars (CAD) and Japanese yen (JPY). The Scheme may use forward exchange contracts to hedge its foreign currency risk. There were no forward exchange contracts entered into during the 2009 financial year, (2008: nil).

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

	Total Scheme 2009 as at 31 March \$ 000s	% of Scheme 2009	Total Scheme 2008 as at 31 March \$ 000s	% of Scheme 2008
Australian dollar	23,734	17%	7,823	20%
Euro dollar	9,953	7%	2,731	7%
U.S. dollar	28,930	20%	3,544	9%
Great British pound	11,503	8%	5,977	15%
Swiss franc	3,374	2%	151	0%
Swedish krona	2,291	2%	153	0%
Norwegian krona	3,530	2%	-	-
Canadian dollar	2,452	2%	-	-
Total foreign currency risk	85,767	61%	20,379	51%
New Zealand dollar	55,871	39%	18,534	49%
Total currency risk	141,638	100%	38,913	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.

The Gareth Morgan KiwiSaver Scheme Notes to Financial Statements (cont.)

For the year ended 31 March 2009

Equity price risk

Equity price risk relates to valuation of investments held at fair value through profit and loss.

The majority of the equities held by the Scheme are large cap listed equities that are valued on market daily. Equity prices are monitored daily and updated to members' accounts on a monthly basis. The Scheme purchases assets for long term capital gains and does not day trade to minimise price risk exposure.

Sensitivity analysis

In managing interest rate and currency risks the Scheme aims to reduce the impact of short-term fluctuations. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

Interest rate sensitivity:

At 31 March 2009 it is estimated that a general increase of one percentage point in interest rates will decrease the Scheme's profit before income tax by approximately \$643,000 (2008: \$47,000 increase), and a general decrease of one percentage point in interest rates will increase the Scheme's profit before income tax by approximately \$659,000.

Foreign exchange sensitivity:

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have decreased the Scheme's profit before income tax by approximately \$442,000 for the year ended 31 March 2009, (2008: \$7,000 decrease).

	Notes	Total Scheme 2009				Total Scheme 2008			
		Designated at fair value 2009 12 months \$ 000s	Loans and receivables 2009 12 months \$ 000s	Other amortised costs 2009 12 months \$ 000s	Total carrying amount / Fair value 2009 12 months \$ 000s	Designated at fair value 2008 6 months \$ 000s	Loans and receivables 2008 6 months \$ 000s	Other amortised costs 2008 6 months \$ 000s	Total carrying amount / Fair value 2008 6 months \$ 000s
Assets									
Investments including derivatives	13	129,622			129,622	33,501			33,501
Trade and other receivables	16		566		566		63		63
Cash and cash equivalents	15		12,016		12,016		5,412		5,412
Provision for taxation			155		155		13		13
Total assets		129,622	12,737	-	142,359	33,501	5,488	-	38,989
Liabilities									
Trade and other payables									
- Investments payable		(23)			(23)	(446)			(446)
- Management fees payable	14			(166)	(166)			(79)	(79)
- Members' PIE tax payable				(12)	(12)			(68)	(68)
Liability for Members' funds		(142,158)			(142,158)	(38,396)			(38,396)
Total liabilities		(142,181)	-	(178)	(142,359)	(38,842)	-	(147)	(38,989)

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 2009 are:

	Total Scheme 2009 as at 31 March \$ 000s	Total Scheme 2008 as at 31 March \$ 000s
Cash and Cash Equivalents	48,273	13,089
Fixed Interest	34,923	3,370
Income Equities	1,290	3,953
Growth Equities	45,136	13,150
Brokerage fee adjustment	-	(61)
Total investments	129,622	33,501

All investments are classified as fair value through profit or loss. No underlying investment exceeds 5% of net assets held by the Scheme.

The Gareth Morgan KiwiSaver Scheme Notes to Financial Statements (cont.)

For the year ended 31 March 2009

14 Related Party Transactions

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

The Administration Fee paid to Gareth Morgan KiwiSaver Limited is inclusive of Trustee Fees and Audit Fees. It also covers fees on-charged from Gareth Morgan Investments Limited Partnership, the Scheme's Investment Manager. No Trustee Fees, Audit Fees, or Investment Management Fees are charged directly to the Scheme.

	Total Scheme 2009 as at 31 March \$ 000s	Total Scheme 2008 as at 31 March \$ 000s
Fees paid and payable to Gareth Morgan KiwiSaver Limited	1,511	392
Balance due to Gareth Morgan KiwiSaver Limited	166	79

During the 2009 financial year the Scheme's investment manager Gareth Morgan Investments Limited (GMIL) was restructured and became a limited partnership (Gareth Morgan Investments Limited Partnership, or GMILP). GMILP assumed the role of investment manager of the Scheme from GMIL. Investment management fees are invoiced by the investment manager to, and paid by, Gareth Morgan KiwiSaver Limited (GMKL). No investment management fees are charged directly to the Scheme. The controlling interest of both GMKL and GMILP is GMI General Partner Limited. The total amount of investment management fees charged by both GMIL and GMILP during the 2009 year is represented in the table below.

	GMKL 2009 as at 31 March \$ 000s	GMKL 2008 as at 31 March \$ 000s
Fees paid to Gareth Morgan Investments Limited	201	24
Balance due to Gareth Morgan Investments Limited	-	8
Fees paid to Gareth Morgan Investments Limited Partnership	168	-
Balance due to Gareth Morgan Investments Limited Partnership	45	-

Gareth Morgan Investments Limited Partnership and Gareth Morgan KiwiSaver Limited share key personnel and the costs for these personnel are attributed to both companies on a pro rata basis.

15 Cash and Cash Equivalents

	Total Scheme 2009 as at 31 March \$ 000s	Total Scheme 2008 as at 31 March \$ 000s
New Zealand Dollar bank account balance	12,011	5,412
Great British Pound bank account balance	5	-
Total investments	12,016	5,412

16 Trade and Other Receivables

	Total Scheme 2009 as at 31 March \$ 000s	Total Scheme 2008 as at 31 March \$ 000s
Accrued Interest	411	29
Accrued Dividends	155	34
Total investments	566	63

Receivables denominated in currencies other than the New Zealand dollar comprise US\$46,465 of trade receivables denominated in United States dollars (2008: US\$3,883) and £28,499 in Great British Pound (2008: £2,944).

17 Segment Reporting

The Scheme operates in one industry segment being the financial investment sector. All operations are carried out in New Zealand. The Scheme's activities have been reported as one operating segment.

18 Contingent Liabilities

The Scheme has incurred a contingent liability arising out of section 37A of the Securities Act 1978 due to a delay in registration of the Scheme's prospectus extension certificate. At the date of signing this report the likelihood of material actual liability arising out of the contingent liability is considered remote and the quantification of such a liability is not practicable. The reason quantifying the liability is not practicable is because the liability is contingent on, among other things, market movements and the individual judgment of Members. The contingent liability will expire on or around 20 August 2009. The Manager has undertaken to indemnify the Scheme for any actual liability that does arise out of the contingent liability.

The Gareth Morgan KiwiSaver Scheme Underlying Portfolio Performance (unaudited)

For the year ended 31 March 2009

Appendix 1

Underlying Portfolio Performance:

The below performance figures represent the investment return of fully invested funds for the period 1 April 2008 to 31 March 2009 for each of the three Scheme portfolios.

The performance is reported net of fees and tax (based on a 30% PIR), and is compared against the relevant portfolio benchmark. The benchmarks used for each portfolio are:

Conservative: 40% NZ 90 day bank bill index, 40% NZ Bond index, 5% NZX index, 15% MSCI* index in NZD terms

Balanced: 20% NZ 90 day bank bill index, 20% NZ Bond index, 10% NZX index, 50% MSCI* index in NZD terms

Growth: 100% MSCI* in NZD terms

*Morgan Stanley Capital International (MSCI).

This performance data was not included in the 2009 financial audit of the Scheme.

	Return for the 12 month period ended 31 March 2009	Benchmark	Out performance
Conservative portfolio	1%	1%	0%
Balanced portfolio	-6%	-11%	5%
Growth portfolio	-13%	-22%	9%

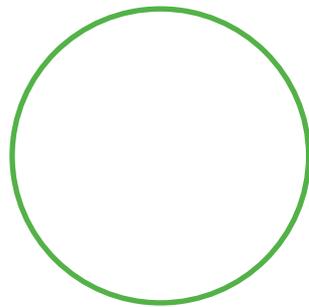
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The Thinking Kiwi's KiwiSaver Scheme



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