

Finally

AN
**ANNUAL
REPORT
WRITTEN
FOR YOU**

Gareth Morgan KiwiSaver Scheme Annual Report and
Summary Financial Statements for the year ended 31 March 2011

Let's face it, Annual Reports and financial statements are a total mystery to most people. If the tables don't do it, the notes and disclaimers will put you to sleep.

But I think you should know what's going on with your KiwiSaver Scheme. So here's an Annual Report that won't have you glazing over—the facts you need, in plain English.

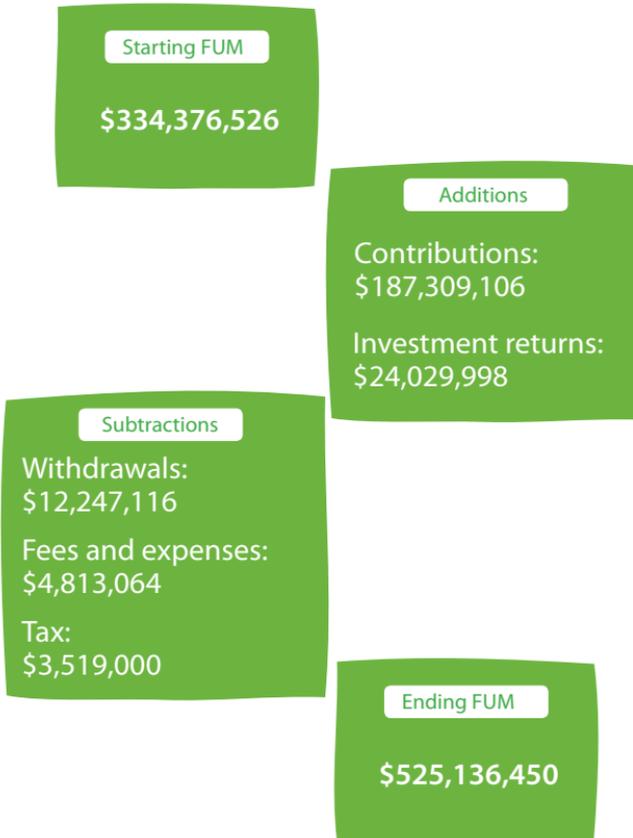


The pointy-headed stuff is still in the back. We have to include it, or we'd be breaking the law.

Money

MONEY In and Out

Here's a summary of the money that was put into the Gareth Morgan KiwiSaver Scheme (we'll just call it "Scheme" from here on in) and the money that was taken out, between 1 April 2010 and 31 March 2011. It includes all contributions, investment returns, taxes, fees and expenses. FUM stands for funds under management—the dollar value of the portfolios.



MONEY Market review

This is probably a good time to talk about what was going on in markets over the year, and how we approached investing your money.

An Overview of 2010 – 11

2010 might have had a “back to normal” feel after the drama of the global credit crisis, but it was a year full of mini-crises:

March, April, May: Global markets were very jittery over trouble in the Eurozone. Portugal, Ireland, Greece and Spain (PIGS) were buckling under debt and in danger of defaulting and setting off a European banking crisis. The establishment of the European Financial Stability Fund diverted disaster and provided some stability—but not a cure.

June, July, August: Poor macro data coming out of developed economies (US, Europe, Japan) put the skids under markets. In the US, the first round of Quantitative Easing (QE)—printing money—was ending. There was concern that the fragile recovery could fail.

August, September, October: The US Federal Reserve declared it would do whatever was needed to keep the recovery going. A second round of money printing—QE2—was announced. With the promise of low interest rates for longer, and plenty of liquidity, markets took off again.

November to March: Middle East crises resulted in oil price hikes, affecting economies all over the world. We saw growth starting to slow in emerging markets (e.g. India, Brazil, China and Asian countries excluding Japan). On top of it all we experienced a string of natural disasters—notably the earthquakes in Christchurch and Japan.

NZ's recovery has been delayed by lack of household spending and a weak housing market, the GST increase, Government cut-backs, and Kiwis continuing to suffer from disruption after the Christchurch earthquakes. However, with emerging market demand increasing again, commodity prices for NZ's exports have climbed to new highs, pushing up the New Zealand dollar.

MONEY Investment performance

Here are the returns we have made for the three portfolios over the past year and since we started investing your money in October 2007.

The benchmark in the table is the average market performance for each portfolio type, so you can see if we're doing better or worse than that. Our goal is to do better over time. We won't achieve that every year, but that's what we strive for. There's a page on our website dedicated to the ins and outs of benchmarks, so if you want details, you can find them at www.gmk.co.nz/benchmarks.

These performance numbers are shown after all taxes, fees, and charges like brokerage have been deducted, so they reflect what you'd get in your hand. We think that's a bit more useful than the performance numbers that are commonly published by the industry! We use the highest tax rate to work out the numbers.

Just so you know, the Scheme performance data is updated on the website every month, so you don't need to wait for an Annual Report for an update.

	This financial year April 1 2010 – March 31 2011	Since KiwiSaver started in 2007
Conservative fund	3.7%	9.4% (2.6% per year)
Benchmark	3.4%	7.7% (2.1% per year)
Better/worse than benchmark	0.3% better	1.7% better (0.5% per year)

	This financial year April 1 2010 – March 31 2011	Since KiwiSaver started in 2007
Balanced fund	2.9%	2.9% (0.8% per year)
Benchmark	3.6%	-5.2% (-1.5% per year)
Better/worse than benchmark	0.7% worse	8.1% better (2.3% per year)

	This financial year 1 April 2010 – March 31 2011	Since KiwiSaver started in 2007
Growth fund	1.3%	-5.2% (-1.5% per year)
Benchmark	0.9%	-20.0% (-6.2% per year)
Better/worse than benchmark	0.4% better	14.8% better (4.7% per year)

So not a bad result overall.

Key activities in the Scheme's portfolios over the year

We've increased exposure to share markets over the year, as our conviction about the global economic recovery improved. The lowest exposure in Growth portfolios was 74.8% (of a dollar invested in shares) in May 2010, and the highest was 89% in February 2011.

We've steadily increased exposure to NZ dollars in the Growth and Balanced portfolios. This has been achieved mainly through hedging, rather than purchasing NZ assets. The portfolios are still invested in

global markets, but the hedging can help limit the volatility associated with movements in the NZ dollar. And as we all know, the NZ dollar has been on a run up for some time now.

We've added a bond allocation to Growth portfolios, to achieve a better return than cash deposits on the money that isn't invested in shares.

Of course, none of this will be news to those of you who check your monthly reports online.

What's our outlook for the year ahead?

Our view is that the global recovery will continue despite the current slowdown, but we should be prepared for it to be a sluggish and protracted recovery. Typically recoveries after a debt crisis are slow, as balance sheet repairs take time.

However, we are cautiously optimistic and anticipate maintaining a fairly full investment in shares (typically in the 75%-85% range). We expect bumps in the recovery road—they are inevitable as the role of leadership in world growth shifts from Europe

and the US to the emerging economies.

The risks to this outlook include higher commodity prices (petrol and food are good examples) choking growth, China trying to engineer a slow-down to ease inflation pressures, and the pressing need for governments to raise taxes or cut spending in major developed and indebted economies.

Having said that, we think shares remain attractively valued especially compared to fixed interest investments.

MONEY How much have you got in your accounts?

All these numbers are for 31 March 2011

Total money in
the Scheme:

\$525,136,450

Yes, that's five hundred and twenty-five million, one hundred and thirty-six thousand, four hundred and fifty dollars in our members' accounts.

Average member
account balance:

\$9,691

This is well above the average member account balance across all KiwiSaver Schemes—\$5,173—and it shows we've got a bunch of serious savers in our Scheme. We calculate the average account balance across all KiwiSaver Schemes from IRD's stats on total membership, and the Reserve Bank's stats on total FUM (funds under management) for all KiwiSaver Schemes.

Members

MEMBERS In and Out

Number of members
on 31 March 2010:

47,257

Number of members
who left us:

1,367

Number of members
who joined us:

8,298

Total membership
on 31 March 2011:

54,188

We know, our marketing material says you're not just a number. But just this once, you are!

Still Awake?

STRATEGY Our investment philosophy

Our core principles remain the same from year to year, but we do actively manage the portfolios, so there will be refinements and tweaks to strategy. Here's a refresher about our investment philosophy.

We emphasise wealth protection. Wealth protection is the guiding philosophy of our investment process with wealth enhancement a second-order goal.

- We have a track record of minimising losses from market crashes, as demonstrated during the global financial crisis.
- We diversify—no concentrated bets.
- We want to be able to sell assets quickly and efficiently when we need to, so we place a high priority on liquidity.

We're a global equity investor. Those of you who check your monthly report will know that the equity (shares) portion of the portfolio is made up of shares in companies and funds from around the world.

We are an active manager. Many managers refuse to deviate from their benchmark asset weightings, and as a result they closely follow the benchmark up and down. But for us, the benchmark is a measuring stick, not a straightjacket. We can be overweight or underweight in sectors, countries, or shares as long as it fits into the big picture of beating the benchmark over the long term, while not taking on extra risk.

Thematic investing is guided by our economics knowledge base. We focus on looking at the bigger economic picture and growth themes, and investing accordingly. Global economic research is behind our theme selection, and they may be focussed on certain industries or geographic regions. Once we decide on the theme, we determine the most cost-effective and value-enhancing way to invest.

A new standard of performance reporting

Gareth Morgan KiwiSaver Limited set a new standard for performance data reporting this past year. We were the first, and we're currently the only KiwiSaver provider to be compliant with Global Investment Performance Standards (GIPS). GIPS is a set of global standards for measuring and presenting past performance. GIPS standards were designed to ensure investment firms use reliable performance measurements based on the principles of fair representation and full disclosure. Our processes and performance reporting procedures have been scrutinised and verified by an independent GIPS consultant.

Changes on the horizon for KiwiSaver

The 2011 Budget set in motion some significant changes to KiwiSaver. The changes will be implemented over the next two years. The halving of the annual member tax credit has got a lot of people riled up and accusing the Government of sabotaging their retirement plans. We're not surprised about the cut. \$1,042 per member per year was a generous incentive. But ask yourself:

What retirement plan, other than KiwiSaver, comes with \$1,000 from the Government just for joining?

What retirement plan, other than KiwiSaver, comes with \$521 a year from the Government, just for saving \$20 a week?

Can you afford to miss out on a 2% (soon to be 3%) employer contribution?

KiwiSaver is still a relatively painless way for most Kiwis to save for a more comfortable retirement. I'm all for us getting less dependent on handouts from the Government and being more responsible for our own welfare and wealth.

Thanks for reading this far. I hope you got something out of this. And if you're still keen for more, turn the page and get into the heavy duty stuff!



Gareth

The Gareth Morgan KiwiSaver Scheme

Trustee Report to Members

For the year ended 31 March 2011

In accordance with section 123 of the KiwiSaver Act 2006, Public Trust (the "Trustee") reports as follows:

The numerical changes in the membership of the Scheme for the year ended 31 March 2011 are:

	Total Scheme Membership	
	Year ended 31-Mar-11	Year ended 31-Mar-10
Opening	47,257	35,095
New Entrants	8,298	12,703
Withdrawals	(1,367)	(541)
Closing	54,188	47,257

The summary financial statements of the Scheme for the year ended 31 March 2011 are attached (pages 16 and 17).

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

The trust deed was amended on 21 April 2011. The amendment removed the ability of the Manager to charge fees to members for transfers, switches of investment direction, entry, exit or any permitted withdrawal.

Scheme Management Information:

Trustee	Public Trust
Administration Manager	Gareth Morgan KiwiSaver Limited
Investment Manager	Gareth Morgan Investments Limited Partnership
Insurer	QBE Insurance (Intl) 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
Wellington

The Board Members of Public Trust are:

Current Board Members:

Trevor David Janes
(appointed Chairman 1 May 2010)
Rodger John Finlay
Robin Gilmer Hill
Susan Mary Anna McCormack

Fiona Ann Oliver
Hinerangi Ada Raumati
Sarah Mary Roberts
Dilkhush Harry
(appointed 20 April 2011)

Former Board Members: Candis Eileen Craven (resigned 31 October 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 benefit payments to members who withdrew from the Scheme during the year to 31 March 2011. The returns are net of tax and fees, and are shown to represent members on two Prescribed Investor Rate (PIR) bands. The mid PIR band uses the 21% rate for the period prior to the change to PIR rates in October 2010 and 17.5% thereafter. The high PIR band uses 30% and 28% respectively.

Month of withdrawal	Conservative portfolio		Balanced portfolio		Growth portfolio	
	Mid PIR	High PIR	Mid PIR	High PIR	Mid PIR	High PIR
2010						
April	-0.04%	-0.10%	-0.96%	-1.04%	-2.56%	-2.58%
May	-0.60%	-0.59%	-1.98%	-1.93%	-2.08%	-2.08%
June	0.32%	0.24%	-0.80%	-0.85%	-2.77%	-2.74%
July	0.31%	0.28%	0.40%	0.37%	0.41%	0.41%
August	0.40%	0.37%	0.24%	0.25%	0.09%	0.11%
September	1.06%	1.01%	2.59%	2.50%	3.81%	3.72%
October	0.50%	0.44%	1.09%	0.97%	1.18%	1.03%
November	-0.12%	-0.13%	-0.55%	-0.53%	-0.51%	-0.46%
December	0.87%	0.78%	1.81%	1.65%	2.31%	2.11%
2011						
January	0.25%	0.22%	0.04%	0.06%	-0.01%	0.04%
February	1.05%	1.01%	1.83%	1.88%	2.89%	3.02%
March	0.18%	0.12%	-0.31%	-0.39%	-0.93%	-1.01%

The most recent prospectus of the Scheme was registered on 16 September 2010 and amended by Memorandum of Amendments on 21 April 2011 to remove the ability of the Manager to charge fees to members for transfers, switches of investment direction, entry, exit or any permitted withdrawal, to confirm that third party costs related to investment are payable, reimbursable or deductible from either the Scheme's assets or directly from a member's account and are not included in the Trustee's fee and to clarify restrictions on withdrawal frequencies and minimum withdrawal amounts for members who reach their end payment date.

Other Disclosures

FEES	Total Scheme 2011		Total Scheme 2010	
	Number of Members	\$	Number of Members	\$
The total amount of fees that have been charged in the period subsequent to the last annual report:				
	54,150	4,813,400	45,770	2,958,028

CONTRIBUTIONS	Total Scheme 2011		Total Scheme 2010	
	Number of Members	\$	Number of Members	\$
KiwiSaver Act 2006 s 123				
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				
	35,884	70,372,785	31,580	63,172,880
Employer contributions				
	34,241	40,048,861	30,228	33,495,426
Crown contributions				
	45,695	43,979,037	42,424	39,135,460
Transfers from other KiwiSaver schemes				
	2,305	16,043,618	5,057	28,846,552
Transfers from registered superannuation schemes (non KiwiSaver)				
	137	1,055,318	221	1,976,681
Voluntary member contributions				
	13,274	15,808,184	10,875	13,358,255
Members with accumulations and total accumulations				
	53,417	187,307,803	46,796	179,985,254

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:

	60	1,200	27,906	558,120
Other contributions				
		103		7,932
Total contributions				
		187,309,106		180,551,306

WITHDRAWALS				
KiwiSaver Act 2006 Schedule 1	Total Scheme 2011		Total Scheme 2010	
	Number of Members	\$	Number of Members	\$
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:				
	48	522,712	-	-
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:				
	66	461,463	43	242,311
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:				
	58	276,141	51	157,304
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:				
	17	150,316	7	43,804
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:				
	34	194,473	18	57,813
Transfers to other schemes				
	1,238	10,141,913	498	2,604,725
Scheme refunds to the Inland Revenue Department				
	2,543	500,098	9,881	1,086,692
Total Withdrawals				
	4,004	12,247,116	10,498	4,192,649

Trustee's certificate

To the Members of the Gareth Morgan KiwiSaver Scheme ("the Scheme") for the year ended 31 March 2011

As required by the section 123 (3) (b) of the KiwiSaver Act 2006 ("the Act"), Public Trust as Trustee confirms that all contributions received in respect of each Member, including contributions paid via the Commissioner of Inland Revenue in respect of each Member have been applied in accordance with the Trust Deed.

Public Trust as Trustee certifies in accordance with sections 123 (2) and 123 (4) of the Act that:

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

The market value of the assets of the Scheme at the close of the financial year equalled the total value of the benefits that would have been payable had all Members of the Scheme ceased to be Members at that date and had provision been made for the continued payment of all benefits being paid to Members and other beneficiaries as at the close of the financial year.

Any fee subsidies received in respect of each member of the Scheme have been applied in accordance with the prescribed requirements.

There is a Scheme Provider Agreement between the Commissioner of Inland Revenue and Gareth Morgan KiwiSaver Limited as Provider of the Scheme that remains in force.

There was no fee increase from the Trustee, Administration Manager or Investment Manager for the year ended 31 March 2011. The fee charged to members for the management and administration of the Scheme is currently 1% per annum of each member's account balance (subject to a minimum of \$50 per annum). This fee covers, among others, charges for trustee services, administration services and investment management services. The fee does not cover third party costs incurred in the buying and selling of investments in a portfolio, such as brokerage; or any third party charges related to the Scheme investing in other funds.

Dennis Church, General Manager
Corporate Trustee Services, Public Trust



Date: 8 July 2011



Independent Auditor's Report on the Summary Financial Statements

To the Members of Gareth Morgan KiwiSaver Scheme

The accompanying summary financial statements on pages 16 to 18, which comprise the summary statement of net assets as at 31 March 2011 and the summary statements of changes in net assets and cash flow for the year then ended, and related notes, are derived from the audited financial statements of Gareth Morgan KiwiSaver Scheme ("the scheme") for the year ended 31 March 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 17 June 2011. Those financial statements and the summary financial statements do not reflect the effects of events subsequent to the date of our report on those financial statements.

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

Trustee's Responsibility for the Financial Statements

The trustee is responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43 Summary Financial Statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 Engagements to Report on Summary 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.

Opinion

In our opinion, the summary financial statements, derived from the audited financial statements of Gareth Morgan KiwiSaver Scheme for the year ended 31 March 2011, are a fair summary of those financial statements, in accordance with FRS-43 Summary Financial Statements and are consistent in all material respects with the audited financial statements.

A handwritten signature of the KPMG firm, written in black ink, with a horizontal line underneath.

8 July 2011 Wellington

The Gareth Morgan KiwiSaver Scheme

Summary Financial Statements

For the year ended 31 March 2011

The Gareth Morgan KiwiSaver Scheme

Statement of Changes in Net Assets

For the year ended 31 March 2011

	Total Scheme Year ended	
	31-Mar-11	31-Mar-10
Investment activities		
Investment Income		
Dividend and Distribution Income	3,841,645	4,703,282
Interest income	9,517,536	5,187,152
Net changes in fair value of investment assets and liabilities	10,670,817	9,074,038
Net investment income	24,029,998	18,964,472
Expenses		
Management and administration fees	4,813,400	2,958,028
Miscellaneous transaction fees	5,689	6,512
Interest expense	(6,025)	6,676
Total expenses	4,813,064	2,971,216
Net increase in net assets before membership activities	19,216,934	15,993,256
Membership activities		
Contributions	187,309,106	180,551,306
Withdrawals	(12,247,116)	(4,192,649)
Members' PIE tax for the year	(3,519,000)	(132,559)
Net membership activities	171,542,990	176,226,098
Benefits accrued to members' accounts	190,759,924	192,219,354
Members' funds at beginning of the year	334,376,526	142,157,172
Members' funds at end of the year	525,136,450	334,376,526

Board Member



Date: 8 July 2011

Board Member



Date: 8 July 2011

The Gareth Morgan KiwiSaver Scheme

Statement of Net Assets

As at 31 March 2011

	Total Scheme as at	
	31-Mar-11	31-Mar-10
Assets		
Cash and cash equivalents	16,315,877	14,011,590
Receivables	2,785,894	1,774,277
Investment portfolio	501,229,822	318,061,511
Derivatives	4,963,579	1,123,346
Total assets	525,295,172	334,970,724
Less Liabilities		
Management and administration fees payable	(474,570)	(316,976)
Members' PIE tax receivable/(payable)	315,848	(277,222)
Total liabilities	(158,722)	(594,198)
Net assets available to pay benefits	525,136,450	334,376,526

The Gareth Morgan KiwiSaver Scheme

Cash Flow Statement

For the year ended 31 March 2011

	Total Scheme Year ended	
	31-Mar-11	31-Mar-10
Net cash flows utilised by operating activities	(4,157,682)	(2,338,027)
Net cash flows utilised by investing activities	(164,487,952)	(172,157,324)
Net cash flows from financing activities	170,949,921	176,490,863
Cash and cash equivalents at the beginning of the year	14,011,590	12,016,078
Closing cash and cash equivalents	16,315,877	14,011,590

Notes to the Summary Financial Statements

A summary of the Gareth Morgan KiwiSaver Scheme's (the "Scheme") audited financial statements for the year ended 31 March 2011 which were authorised for issue by the Trustee on 8 July 2011 is shown on pages 16 and 17. The Scheme is registered under the KiwiSaver Act 2006, registration number KS10025. The summary financial statements have been extracted from the full audited financial statements dated 31 March 2011 which were authorised for issue by the Trustee on 17 June 2011. The summary financial statements have been prepared in accordance with FRS-43: Summary Financial Statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The Scheme has made an explicit and unreserved statement of compliance with NZ IFRS in note 2 of its full financial statements.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates. All financial information has been rounded to the nearest dollar.

The summary financial statements cannot be expected to provide as complete an understanding as is provided by the full financial statements of changes in net assets, net assets and cashflow of the Scheme. You can obtain a full copy of the annual financial statements, without charge, from the Manager via its website www.gmk.co.nz or freephone 0800 427 384.

The Scheme is a profit oriented entity.

The auditor has examined the summary financial statements for consistency with the audited financial statements and has issued an unqualified opinion on both the summary financial statements and the full financial statements.

This KiwiSaver Scheme is brought to you by...

Scheme Trustee

Public Trust
Level 10
141 Willis Street
PO Box 5067
Wellington 6011

Administration Manager

Gareth Morgan KiwiSaver Limited
Level 10
109 Featherston Street
PO Box 10068
Wellington 6143
Tel: 0800 427 384
Fax: 04 473 0643
Email: questions@gmk.co.nz

Investment Manager

Gareth Morgan Investments Limited Partnership
Level 10
109 Featherston Street
PO Box 10068
Wellington 6143

The Auditor

KPMG
10 Customhouse Quay
PO Box 996
Wellington 6140

The Solicitor

DLA Phillips Fox
Tower Building
50-64 Customhouse Quay
Wellington 6011

Cleaning up for customer satisfaction

We were very pleased to get the results of [The Nielsen Company Top Ten KiwiSaver Providers Survey](#) for December 2010, which placed us as the hands-down winners for customer satisfaction.

online account management facilities

89%

of our members surveyed rated GMK very good or excellent for online account management facilities. The next best result was 53%.

customer service

86%

of our members surveyed rated GMK very good or excellent for customer service. The next best result was 59%.

openness and transparency

85%

of the members surveyed rated GMK very good or excellent for openness and transparency of fees: The next best result was 45%.

87%

of our members surveyed rated GMK very good or excellent for openness and transparency of returns. The next best result was 39%.

member recommendations

The Gareth Morgan KiwiSaver Scheme is the most likely KiwiSaver scheme to be recommended by its members.

communication

87%

of the members surveyed rated GMK very good or excellent for ongoing communication. The next best result was 47%.

Source: The Nielsen Company Top Ten KiwiSaver Providers Survey, December 2010 (the top ten providers are those providers that have the largest number of customers).