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GMI SUPERANNUATION SCHEME

ANNUAL REPORT & SUMMARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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.

ACTIVITIES IN THE PORTFOLIOS

We increased exposure to share markets over the year, as our conviction about the global economic recovery improved. The lowest exposure in Growth portfolios was 75% (of a dollar invested in shares) in May 2010, and the highest was 89% in March 2011.

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

OUTLOOK

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.

OUR INVESTMENT PHILOSOPHY

The annual report is a good opportunity to remind investors about our investment philosophy – the approach we take to investing your money.

WEALTH PROTECTION

Protecting your wealth is our first priority. Growing your wealth is a second order priority. People work hard to accumulate wealth; managing it is about ensuring its real purchasing power is at least maintained and ideally enhanced. Two key disciplines underpin wealth protection:

- Diversification is important to minimising risk.
- We want to be able to sell assets quickly and efficiently when we need to, so we place a high priority on liquidity.

GLOBAL INVESTOR

The majority of funds allocated to shares is invested in global markets. We do not have a significant exposure to New Zealand and Australia shares given these markets account for around 4% of the world's capital markets. Moreover, most clients have a substantial portion of their existing wealth invested in New Zealand real estate and their key asset, their job, will be in New Zealand. Investing their financial wealth in global share markets helps spread their investment risks.

ACTIVE MANAGER

Our view is that asset allocation – the portion of funds allocated to shares, fixed interest, cash – is the single biggest determinant of investment returns over the medium term. So our investment decisions place most emphasis on determining where the economic and investment cycle is likely to head and adjust exposure to shares, fixed interest and cash accordingly.

ECONOMIC EXPERIENCE

GMI has a strong background in macro-economic analysis and forecasting, which underpins our top down approach. We look at the threats to, and drivers of, growth in the major economies and identify likely growth themes. We then look for appropriate companies or specialist fund managers to achieve exposure to these themes. Our macro-economic views also guide the appropriate maturity and risk profile for fixed interest investments.

In accordance with section 14 and Schedule 2 of the Superannuation Schemes Act 1989, Public Trust 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	31-Mar-10
Opening	28	-
New Entrants	47	28
Withdrawals	1	-
Closing	74	28

The summary financial statements of the Scheme for the year ended 31 March 2011 are attached (page 5).

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

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, to confirm that third party costs related to investment are not included in the Trustee's annual fee and to clarify terms of the Trustee and Sponsor discretion in relation to the Withdrawal Benefit.

Scheme Management Information

Trustee	Public Trust
Administration Manager	Gareth Morgan Investments Limited Partnership
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, PO Box 5067, Wellington

The Board Members of Public Trust are:

Current Board Members:

Trevor David Janes (appointed Chairman 1 May 2010)	Fiona Ann Oliver Hinerangi Ada Raumatia
Rodger John Finlay	Sarah Mary Roberts
Robin Gilmer Hill	Dilkhush Harry (appointed 20 April 2011)
Susan Mary Anna McCormack	

Former Board Members:

Candis Eileen Craven (resigned 31 October 2010)

To the Members of the GMI Superannuation Scheme ("the Scheme") for the Year Ended 31 March 2011

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:
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.

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 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	-0.06%	-0.12%	-1.17%	-1.34%	-2.56%	-2.60%
May	-0.72%	-0.70%	-2.12%	-2.05%	-2.35%	-2.22%
June	0.35%	0.25%	-0.71%	-0.84%	-2.85%	-2.81%
July	0.27%	0.24%	0.28%	0.26%	0.48%	0.45%
August	0.48%	0.45%	0.33%	0.35%	0.28%	0.29%
September	1.13%	1.06%	2.71%	2.58%	3.52%	3.45%
October	0.49%	0.44%	1.10%	0.98%	1.33%	1.17%
November	-0.25%	-0.26%	-0.66%	-0.63%	-0.74%	-0.68%
December	0.85%	0.76%	1.89%	1.68%	2.69%	2.40%
2011						
January	0.22%	0.20%	0.05%	0.08%	-0.02%	0.04%
February	0.97%	0.92%	1.85%	1.91%	2.73%	2.90%
March	0.15%	0.08%	-0.29%	-0.42%	-0.74%	-0.70%

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 not included in the Trustee's annual fee and to clarify terms of the Trustee and Sponsor discretion in relation to the Withdrawal Benefit.

Other Disclosures

	Total Scheme 2011		Total Scheme 2010	
	Number of Members	\$	Number of Members	\$
<i>Withdrawals:</i>				
Partial withdrawals	3	280,000	-	-
Scheme transfers out	1	503	-	-
Total Withdrawals	4	280,503	-	-

There was no fee increase from the Trustee, Administration Manager, Investment Manager or Promoter for the year end 31 March 2011. The fee charged to members for the management and administration of the Scheme is currently up to 1.5% per annum of each member's account balance (subject to a minimum of \$120 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

GMI SUPERANNUATION SCHEME Statement of Changes in Net Assets For the year ended 31 March 2011	Total Scheme Year ended 31-Mar-11	Total Scheme Year ended 31-Mar-10
	\$	\$
<i>Investment activities</i>		
Investment Income		
Dividend and Distribution Income	40,848	11,182
Interest income	87,968	22,373
Net changes in fair value of investment assets and liabilities	126,472	59,039
Net investment income	255,288	92,594
Expenses		
Management and administration fees	54,454	13,566
Miscellaneous transaction fees	48	24
Total expenses	54,502	13,590
Net increase in net assets before membership activities	200,786	79,004
<i>Membership activities:</i>		
Contributions	3,341,952	3,307,609
Withdrawals	(280,503)	-
Members' PIE tax for the year	(37,868)	(3,133)
Net membership activities	3,023,581	3,304,476
Benefits accrued to members' accounts	3,224,367	3,383,480
Members' funds at beginning of the year	3,383,480	-
Members' funds at end of the year	6,607,847	3,383,480

GMI SUPERANNUATION SCHEME Statement of Net Assets As at 31 March 2011	Total Scheme as at 31-Mar-11	Total Scheme as at 31-Mar-10
	\$	\$
Assets		
Cash and cash equivalents	1,227,383	72,395
Receivables	24,770	15,409
Investment portfolio	5,299,923	3,288,279
Derivatives	57,641	15,514
Total assets	6,609,717	3,391,597
Less Liabilities		
Management and administration fees payable	(6,588)	(3,014)
Members' PIE tax receivable / (payable)	4,718	(5,103)
Total liabilities	(1,870)	(8,117)
Net assets available to pay benefits	6,607,847	3,383,480

GMI SUPERANNUATION SCHEME Cash Flow Statement For the year ended 31 March 2011	Total Scheme Year ended 31-Mar-11	Total Scheme Year ended 31-Mar-10
	\$	\$
Net cash flows utilised by operating activities	(45,907)	(6,724)
Net cash flows utilised by investing activities	(1,812,864)	(3,230,461)
Net cash flows from financing activities	3,013,760	3,309,579
Add opening cash and cash equivalents	72,394	-
Closing cash and cash equivalents	1,227,383	72,394

A summary of the GMI Superannuation 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 here on page 5. The Scheme is registered under the Superannuation Schemes Act 1989, registration number 2224351. 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.gmisuper.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.

Board Member

Board Member




Date: 8 July 2011

Date: 8 July 2011

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS



To the Members of GMI Superannuation Scheme

The accompanying summary financial statements on page 5, which comprise the summary statement of net assets as at 31 March 2011 and the summary statements of changes in net assets and cash flows for the year then ended, and related notes, are derived from the audited financial statements of GMI Superannuation Scheme ("the superannuation 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 GMI Superannuation 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 superannuation scheme in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the superannuation scheme on normal terms within the ordinary course of trading activities of the business of the superannuation scheme. These matters have not impaired our independence as auditors of the superannuation scheme. The firm has no other relationship with, or interest in, the superannuation scheme.

Opinion

In our opinion, the summary financial statements, derived from the audited financial statements of GMI Superannuation 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.

8 July 2011
Wellington

DIRECTORY

Scheme Trustee

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