Gareth Morgan KiwiSaver Scheme

Financial Statements
For the year ended 31 March 2012

Contents

Gareth Morgan KiwiSaver Scheme
Statement of Changes in Net Assets
For the year ended 31 March 2012

	Notes	Total Scheme Year ended 31-Mar-12 $ 000s	Total Scheme Year ended 31-Mar-11 $ 000s
Investment activities			
Investment Income			
Dividend and distribution income		8,326	3,842
Interest income		13,060	9,518
Other interest income		1	6
Net changes in fair value of financial assets and liabilities through profit or loss	4	7,874	10,671
Net investment income		**29,261**	**24,037**
Expenses			
Management and administration fees	5	6,603	4,813
Miscellaneous transaction fees		16	6
Total expenses		**6,619**	**4,819**
Net increase in net assets before membership activities		**22,642**	**19,218**
Membership activities:			
Contributions	6	198,715	187,309
Withdrawals	6	(22,128)	(12,247)
PIE tax paid		(9,323)	(3,519)
Net membership activities		**167,264**	**171,543**
Benefits accrued to members' accounts		**189,906**	**190,761**
Members' funds at beginning of the year		525,136	334,375
Members' funds at end of the year		**715,042**	**525,136**

This Statement of Changes in Net Assets should be read in conjunction with the accompanying notes.

Gareth Morgan KiwiSaver Scheme
Statement of Net Assets
As at 31 March 2012

	Notes	Total Scheme as at 31-Mar-12 $ 000s	Total Scheme as at 31-Mar-11 $ 000s
Assets			
Cash and cash equivalents	7	22,594	16,316
Receivables	8	3,458	2,786
Investments	9	696,996	501,229
Derivatives	10	(2,944)	4,964
Total assets		720,104	525,295
Less liabilities			
Management and administration fees payable		(635)	(475)
PIE tax payable		(4,427)	316
Total liabilities		(5,062)	(159)
Net assets available to pay benefits	12	715,042	525,136

This Statement of Net Assets should be read in conjunction with the accompanying notes.

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

Board member ____________

Date 31 May 2012

Board member ____________

Date 31 May 2012

Gareth Morgan KiwiSaver Scheme
Statement of Cash Flows
For the year ended 31 March 2012

	Notes	Total Scheme Year ended 31-Mar-12 $ 000s	Total Scheme Year ended 31-Mar-11 $ 000s
Operating activities			
Cash was provided from:			
Interest received		641	492
Cash was applied to:			
Payment of management and administration fees		(6,443)	(4,656)
Interest paid		1	6
Net cash flows from operating activities		**(5,801)**	**(4,158)**
Investing activities			
Cash was provided from:			
Sale of investments		26,049	13,698
Cash was applied to:			
Purchase of investments		(185,977)	(178,186)
Net cash flows from investing activities		**(159,928)**	**(164,488)**
Financing activities			
Cash was provided from:			
Contributions	6	198,715	187,309
PIE tax rebates received		2,177	8
Cash was applied to:			
Benefits paid or transferred	6	(22,128)	(12,247)
PIE tax paid		(6,757)	(4,120)
Net cash flows from financing activities		**172,007**	**170,950**
Net increase/(decrease) in cash		6,278	2,304
Add opening cash and cash equivalents		16,316	14,012
Closing cash and cash equivalents		22,594	16,316

Reconciliation of Cash Flows from Operating Activities to Benefits Accrued to Members' Accounts

	Notes	Year ended 31-Mar-12 $ 000s	Year ended 31-Mar-11 $ 000s
Net cash flows utilised by operating activities		(5,801)	(4,158)
Adjusted for:			
Income from investments		28,619	23,540
Movement in management and administration fees payable		(160)	(158)
Miscellaneous transaction fees		(16)	(6)
Adjusted flows from operating activities		**22,642**	**19,218**
Net membership activities		167,264	171,543
Net increase in net assets		189,906	190,761

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Gareth Morgan KiwiSaver Scheme
Notes to Financial Statements
For the year ended 31 March 2012

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 established and is governed by a trust deed dated 2 April 2007 as amended and consolidated on 7 September 2007, 18 February 2010 and 21 April 2011 (the "Trust Deed"). The Scheme received contributions and started investing from 1 October 2007.

The financial statements are for the Scheme and represent the operating result for the twelve month period ended 31 March 2012.

The trustee of the Scheme is Public Trust (the "Trustee"), the administration manager of the Scheme is Gareth Morgan KiwiSaver Limited (the "Manager") and the investment manager of the Scheme is Gareth Morgan Investments Limited Partnership (the "Investment Manager"). The Manager is a wholly owned subsidiary of the Investment Manager. The Manager's registered address is c/o WHK Wellington, 45 Knights Road, Lower Hutt, Wellington, New Zealand. On 31 March 2012, all interests in the Investment Manager were acquired by Kiwi Wealth Management Limited ("KWML") from the partners of the Investment Manager. KWML is a wholly owned subsidiary of New Zealand Post Limited, which is wholly owned by the Crown. As a result, the new ultimate controlling party of the Investment Manager is the Crown.

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

- Conservative portfolio
- Balanced portfolio
- Growth portfolio

2 Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with the trust deed governing the 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.

As at 31 March 2012, the Trustee has not elected a date for the Scheme to comply with the relevant enactments amended by the KiwiSaver Amendment Act 2011 (refer to note 3(h) for more information).

The financial statements were approved by the Trustee on 31 May 2012.

Measurement Base
The financial statements for the Scheme have been prepared on a historical cost basis, except for investments, which are classified as financial instruments at fair value through profit or loss and are measured at fair value, and derivatives, which are classified as held for trading and 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 dollars (unless otherwise stated).

Use of Assumptions, Estimates and Judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 13.

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 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; and
Financing activities - include all activities relating to contributions and withdrawals and PIE tax.

(b) Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in profit or loss, except foreign exchange differences arising on investment assets and liabilities which are recognised together with other net changes in the fair value of investment assets and liabilities in profit or loss.

(c) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in financial instruments designated at fair value at initial recognition, cash and cash equivalents, receivables and payables.

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

A financial instrument is 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 as fair value through profit or loss if the Investment Manager manages such investments and makes purchase and sale decisions based on their fair value. Financial instruments designated at fair value at initial recognition comprise debt and equity securities. 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.

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

Cash and cash equivalents and receivables comprise cash balances and call deposits, accrued interest and dividends, and proceeds expected from sale transactions where the trade date and settlement date spanned the balance date. The carrying value closely approximates their fair value.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less any impairment losses. The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

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

(ii) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Any gain or loss on remeasurement to fair value is recognised in profit or loss. The derivative financial instruments held during the year ended 31 March 2012 were forward foreign exchange contracts and are classified as held for trading.

The Scheme will offset derivative financial instruments only if the Scheme has a legal right to offset the recognised amounts (including accrued interest) and intends to settle on a net basis.

(d) Income Recognition

Income comprises interest income on funds invested, dividend income and distribution income received from unit trusts and investment funds, 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 and distribution income is recognised on the date that the Scheme's right to receive payment is established. Net realised and unrealised gains and losses are recognised in profit or loss in the period in which they occur.

(e) Taxation

The Scheme qualifies as, and has elected to be, a multi-rate 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 PIE tax amount in the Statement of Net Assets represents tax payable/receivable on behalf of the members under the PIE regime.

Under the PIE regime, the Investment Manager attributes the income of the Scheme to members in accordance with their proportionate interest in the Scheme. Taxable income attributed to each member is taxed at the member's notified investor rate. The Investment Manager adjusts the members' interests in the Scheme to reflect that the Scheme pays tax at varying rates on behalf of members.

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

(f) Expenses

All expenses are recognised on an accrual basis.

(g) Members' Funds

Members' interests in the Scheme provide members with the right to request redemption for cash of their interest at the value at which their investments can be realised provided that they meet certain requirements of the KiwiSaver Act 2006. All members' interests qualify as "puttable instruments". On request of members eligible to realise their investments, the Investment Manager sells the relevant investments to market or to members joining the Scheme at market prices for payment to such members. The expected cash outflow on realisation will depend on when each member is eligible to request and does request the realisation of investments. Because such requests cannot be forecast, no expected cash outflow can be reliably estimated. The Scheme complies with the amendments to NZ IAS 32: Financial Instruments Presentation and NZ IAS 1: Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation, the impact of which is to classify members' accrued benefits as equity rather than as a liability.

(h) KiwiSaver Amendment Act 2011 and KiwiSaver Amendment Regulations 2012

On the relevant parts of the KiwiSaver Amendment Act 2011 becoming effective with respect to the Scheme (such effective date occurring on or before 1 Oct 2012 as the Trustee may elect), among other things, the Manager will become the issuer of the Scheme and the Trustee will become the supervisor of certain functions performed by the Manager.

4 Net Changes in Fair Value of Financial Assets and Liabilities Through Profit or Loss

	Total Scheme Year ended 31-Mar-12 $ 000s	Total Scheme Year ended 31-Mar-11 $ 000s
Net gain/(loss) from financial instruments held for trading:		
Realised gain/(loss)		
Derivative financial instruments	23,630	(3,207)
Unrealised gain/(loss)		
Derivative financial instruments	(1,724)	4,733
	21,906	**1,526**
Net gain/(loss) from financial instruments designated at fair value through profit or loss:		
Realised gain/(loss)		
Equity investments	(23,865)	(5,024)
Debt securities	(904)	(24)
Unrealised gain/(loss)		
Equity investments	11,932	14,058
Debt securities	301	1,420
	(12,536)	**10,430**
Net gain/(loss) from financial instruments at fair value through profit or loss:		
Realised gain/(loss)	(1,483)	(1,247)
Unrealised gain/(loss)	(13)	(38)
	(1,496)	**(1,285)**
Total net gain/(loss) from Financial Instruments at Fair Value through Profit or Loss	**7,874**	**10,671**

5 Management and Administration Fees

The fee charged to each member for the management and administration of the Scheme is currently up to 1% per annum of the member's account balance (subject to a minimum of $50 per annum), calculated and deducted monthly by the Manager on behalf of the Trustee. This fee covers charges for trustee services, administration services, investment management services (among others) but does not cover third party costs incurred in the buying and selling of investments, such as brokerage or any third party charges related to the Scheme investing in unit trusts or other investment funds.

Management and administration fees for the year ended 31 March 2012 totalled $6.603m (2011: $4.813m).

6 Contributions and Withdrawals

Contributions

Contributions are received from members either directly or via Inland Revenue ("IR"). Contributions in the form of kick start payments and member tax credits are received from the Crown via IR. 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 and were received from the following sources for the year ended 31 March 2012:

	Total Scheme Year ended 31-Mar-12 $ 000s	Total Scheme Year ended 31-Mar-11 $ 000s
Inland Revenue Department:		
- Crown contributions	46,587	43,980
- Employer contributions	44,928	40,049
- Employee contributions	77,166	70,373
Voluntary contributions	16,844	15,808
Scheme transfers in	13,186	17,099
Manager reimbursements	4	-
Total contributions	198,715	187,309

Withdrawals

Withdrawals for the year ended 31 March 2012 were as follows:

	Total Scheme Year 31-Mar-12 $ 000s	Total Scheme Year 31-Mar-11 $ 000s
Scheme transfers out	(17,334)	(10,142)
Member / IRD refunds	(607)	(500)
Significant financial hardship withdrawals	(554)	(276)
Withdrawals on death	(807)	(461)
Withdrawals or transfers on permanent emigration	(705)	(194)
First home purchase withdrawals	(1,789)	(523)
Other withdrawals	(332)	(151)
Total withdrawals	(22,128)	(12,247)

7 Cash and Cash Equivalents

	Total Scheme as at 31 March 2012 $ 000s	Total Scheme as at 31 March 2011 $ 000s
New Zealand dollar bank account balance	22,588	16,316
UK bank account balance	6	-
Total cash and cash equivalents	22,594	16,316

8 Receivables

	Total Scheme as at 31 March 2012 $ 000s	Total Scheme as at 31 March 2011 $ 000s
Accrued interest	2,717	2,231
Accrued dividends	741	555
Total Receivables	3,458	2,786

Receivables denominated in currencies other than the New Zealand dollar comprise NZD$428,634 of trade receivables denominated in U.S. dollars (2011: NZD$334,916), NZD$145,466 in Pounds sterling (2011: NZD$203,814), NZD$nil in Australian dollars (2011: NZD$45,342) and NZD$43,853 in Japanese yen (2011: NZD$nil).

9 Investments

Except for the related party investments detailed in Note 18, as at 31 March 2012 the funds of the Scheme were invested in a range of investments not related to the Manager, Trustee or Investment Manager.

A summary of the main asset classes held by the Scheme as at 31 March 2012 are:

	Total Scheme as at 31 March 2012 $ 000s	Total Scheme as at 31 March 2011 $ 000s
Cash and cash equivalents	50,161	35,170
Fixed interest (including certain unlisted unit-trusts)	267,911	162,558
Income equities	18,012	27,128
Growth equities (including certain listed and unlisted unit-trusts)	360,912	276,373
Total investments	696,996	501,229

The underlying investments that exceed 5% of net assets held by the Scheme are:

Investment securities that exceed 5% of Scheme Assets	Fair Value 31 March 2012 $000s	% of Scheme	Asset Class	% of Asset Class	Fair Value 31 March 2011 $000s	% of Scheme	Asset Class	% of Asset Class
BlackRock Wholesale Indexed International Equity Fund	71,319	10.0%	Growth Equities	19.8%	40,252	7.7%	Growth Equities	14.6%

10 Derivatives

Forward currency contracts are the only derivatives used by the Scheme during the year. Please see note 15 for more detail.

11 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 for which the impact is unable to be reliably estimated (if any):

- NZ IFRS 9 Financial Instruments - effective for annual reporting periods beginning on or after 1 Jan 2015.
- NZ IFRS 13 Fair Value Measurement - effective for annual reporting periods beginning on or after 1 Jan 2013.

12 Members' Benefits

(a) Net assets available to pay benefits

All available funds are allocated to member accounts. The Scheme does not have separate employer accounts and does not have any reserve funds.

(b) Vested benefits

Vested benefits are benefits which, under the conditions of the Scheme, are not conditional on continued membership. Under the Trust Deed all benefits are fully vested. The value of vested member benefits as at 31 March 2012 is $715.0m (31 March 2011: $525.1m)

(c) Guaranteed benefits

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

13 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 15).

Key sources of estimation uncertainty

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

Valuation of financial instruments
The Scheme's accounting policy on fair value measurements is explained in note 3(c).

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

• Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
• Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
• Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price and yield quotations. For all other financial instruments, the Scheme determines fair values using valuation techniques. For investments with no active market, fair values are determined using valuations techniques that may make use of recent arm's length transactions of comparable instruments, reference to current market data of comparable instruments, discounted cash flow analysis and option pricing models, and use as much available and supportable market data as possible with judgemental inputs kept to a minimum. On call cash is not included in the hierarchy.

Financial Instrument Hierarchy as at 31 March 2012 ($000s)

	Level 1	Level 2	Level 3
Fixed interest	5,666	207,248	-
Equities (including certain listed and unlisted unit-trusts)	433,921	-	-
Forward foreign exchange contracts	-	(2,944)	-
	439,587	204,304	-

Financial Instrument Hierarchy as at 31 March 2011 ($000s)

	Level 1	Level 2	Level 3
Fixed interest	6,407	156,151	-
Equities (including certain listed and unlisted unit-trusts)	303,501	-	-
Forward foreign exchange contracts	-	4,964	-
	309,908	161,115	-

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

14 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: members of the Scheme; employers of members of the Scheme; and the IRD (in accordance with the provisions of the KiwiSaver Act 2006). Members may contribute to the Scheme at varying designated rates linked to their salaries or in lump sum payments. Members may pay additional contributions to the Scheme in excess of any salary linked contributions. Employer contribution rates are either 2% or greater.

15 Financial Risk Management

The Scheme may be exposed to credit risk, liquidity risk, market price risk, foreign currency risk, interest rate risk and operational risk through the financial instruments and cash it holds. This note presents information about the Scheme's exposure to each of these risks, the Scheme's policies and processes for managing such risks and the Scheme's management of capital. The risk disclosures have been prepared on the Scheme's direct holdings and not on a full look-through to account for investments held indirectly through other managed funds (such as certain listed and unlisted unit-trusts).

Risk management framework

The Scheme has investment guidelines within each asset class which, along with the members' investment directions, determine how the Portfolios invest. The guidelines establish the target bands for each asset class within each Portfolio and limit the extent to which the Investment Manager can invest in any single issuer or third party investment manager. Compliance with the target asset allocations and the composition of each Portfolio is monitored by the Manager on a weekly basis. In instances where a Portfolio has diverged from target asset allocations or investment caps, the Scheme's Investment Manager is obliged to take actions to rebalance that Portfolio in line with the established targets, within prescribed time limits.

(a) Credit risk

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

Management of credit risk

The Scheme's policy only allows fixed interest investments 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 a limit per issuer of 15% of the assets of each relevant Portfolio for investments in fixed interest securities except for when such securities are issued by the New Zealand Local Government Funding Agency Limited or the New Zealand Government where a limit of 50% applies. No limit applies on cash deposits.

Exposure to credit risk

The carrying amount of the Scheme's investments represent the Scheme's maximum credit exposure.

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

	Total Scheme as at 31-Mar-12 $ 000s	% of Scheme Assets 2012	Total Scheme as at 31-Mar-11 $ 000s	% of Scheme Assets 2011
ASB Bank - cash and term deposits	38,478	5%	32,707	6%
ASB Bank - fixed interest securities	20,195	3%	11,365	2%
Total significant credit risk exposure	58,673	8%	44,072	8%

The Investment Manager monitors the financial position of each bank on an ongoing basis.

Investments in debt securities

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

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

As at 31 March 2012, the debt securities the Scheme was invested in had the following credit quality as determined by Standard & Poor's:

Rating	2012	2011
AAA	0%	4%
AA+	3%	5%
AA	41%	46%
AA-	28%	23%
A+	3%	4%
A	1%	6%
A-	11%	0%
BBB+	6%	5%
BBB	1%	1%
BB	1%	2%
BB-	1%	0%
Not Rated	4%	4%
Total	100%	100%

Derivative financial instruments

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

Derivative financial instruments are transacted with counterparties which are credit rated at least AA as determined by Standard & Poor's ratings, within predetermined limits, and with whom the Investment Manager has netting arrangements. The netting arrangements provide for the net settlement of contracts with the same counterparty in the event of default. As a result of master netting agreements, at 31 March 2012, the Scheme would be entitled to offset derivative assets of $0.21m (2011: $10.93m) against derivative liabilities of $3.15m (2011: $5.96m) in the event of counterparty defaults.

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

Concentration of credit risk

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

As at 31 March 2012, the Scheme's securities exposures were concentrated in the following industries:

	Assets as at 31 March 2012 %	Income Year ended 31 March 2012 %	Assets as at 31 March 2011 %	Income Year ended 31 March 2011 %
Banking and finance	35%	111%	36%	47%
Active and passive funds	19%	-29%	22%	0%
Consumer goods, retail and manufacturing	13%	24%	13%	42%
Utilities, Energy, Infrastructure and Transport	9%	3%	5%	14%
Other sectors	24%	-9%	24%	-3%
Total business sector risk	100%	100%	100%	100%

(b) Settlement risk
The Scheme's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. The majority of transactions are conducted through a broker, which mitigates settlement risk by ensuring the transaction is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described earlier.

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

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

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

Assets by order of liquidity:	Total Scheme as at 31 March 2012 $ 000s	% of Assets of the Scheme	Total Scheme as at 31 March 2011 $ 000s	% of Assets of the Scheme
NZ cash deposits	72,878	9%	50,019	9%
Foreign cash deposits	617	0%	2,023	0%
Forward currency contracts	-	0%	4,964	1%
Overseas equities	286,112	40%	197,440	38%
NZ equities	4,967	1%	7,486	1%
Unlisted unit trusts	142,841	20%	98,575	19%
NZ debt securities	210,549	29%	161,565	31%
Foreign fixed interest debt securities	5,082	1%	3,223	1%
Total liquidity risk	723,046	100%	525,295	100%

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

Maturity analysis for financial liabilities

Financial liabilities of the Scheme comprise sundry payables, claims payable, PIE tax payable, derivatives and net assets available for benefits. Sundry payables and claims payable have no contractual maturities but are typically settled within 30 days.

	Carrying amount $ 000s	Gross nominal inflow / (outflow) $ 000s	Less than 1 month $ 000s	1 to 3 months $ 000s	3 months to 1 year $ 000s
31 March 2012					
Financial liabilities					
Members' PIE tax payable	(4,427)	-	(4,427)	-	-
Derivative liabilities	(2,944)	-	(2,944)	-	-
Management and administrations fees payable	(635)	-	(635)	-	-
	(8,006)	-	(8,006)	-	-

	Carrying amount $ 000s	Gross nominal inflow / (outflow) $ 000s	Less than 1 month $ 000s	1 to 3 months $ 000s	3 months to 1 year $ 000s
31 March 2011					
Financial liabilities					
Management and administration fees payable	(475)	-	(475)	-	-
	(475)	-	(475)	-	-

(d) Market price risk
Market price risk is the risk that the Scheme's income or the value of its holdings of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual financial instrument or by factors affecting all instruments trading in a market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Because of the uncertain nature of market price fluctuations, the effect of market price risk cannot be reliably estimated.

Management of market price risk
The Scheme's strategy for the management of market price risk is driven by the Scheme's investment objectives. The investment objectives of the Scheme's Portfolios are to provide investors with access to a range of different diversified investments with an allocation of assets spread across local and international cash, fixed interest securities, equities and investment funds.

The Scheme's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The policies and procedures for managing market risk include specific investment limits on the various financial instruments the Scheme invests in that ensure diversity, and the use of forward foreign currency contracts to mitigate fluctuations in foreign currency exchange rates. The risk profiles of the investments and derivatives of the Scheme are reviewed monthly to ensure compliance with Scheme investment policies and procedures. The Scheme's market positions are monitored on a daily basis by management of the Investment Manager. The Investment Manager also ensures each Portfolio is well diversified across a number of instruments and investment themes. Equity positions are formally reviewed monthly and the position will be rebalanced if the current holding deviates by more than 0.2% from the preferred position.

The Scheme may use derivatives to manage its exposure to foreign currency, interest rate and equity market risks.

(e) Interest rate risk
Interest rate risk affects the Scheme in two ways - the value of a financial instrument may fluctuate due to a change in market interest rates, and a change in market interest rates may also cause the interest income received to fluctuate. The Investment Manager manages interest rate risk by actively managing the average maturity date of the Scheme's fixed interest instruments in response to changes in the Investment Manager's interest rate view.

The Scheme's main interest rate risk arises from holdings of fixed interest instruments. Fixed Interest instruments that are interest bearing assets returning income at a fixed interest rate and are recognised at fair value through profit or loss are reported in the table below. The Scheme also faces interest rate risk from its cash holdings.

Interest rate exposures:	Total Scheme as at 31 March 2012 $ 000s	2012 % of Scheme	Total Scheme as at 31 March 2011 $ 000s	2011 % of Scheme
0-7%	227,216	31%	145,628	27%
7-10%	111,784	16%	65,260	12%
Over 10%	1,665	0%	3,155	1%
Total interest rate exposure	**340,665**	**47%**	**214,043**	**40%**

Interest rate sensitivity:
As at 31 March 2012 it is estimated that a general increase of one percentage point in interest rates will decrease the Scheme's profit before income tax, due to losses on the capital value of fixed interest holdings, by approximately $8.17m (2011: $3.42m decrease), and a general decrease of one percentage point in interest rates will increase the Scheme's profit before income tax by approximately $8.47m (2011: $3.51m).

(e) Foreign Currency risk

Foreign currency risk is the risk that the value of a financial instrument or foreign cash will fluctuate due to changes in foreign exchange rates.

The Scheme is exposed to foreign currency risk on investments that are denominated in currencies other than the New Zealand dollar ($). The Scheme's exposure to different currencies is listed below. The Scheme also uses forward foreign exchange contracts to manage its foreign currency risk. Stop losses are maintained on forward foreign exchange contracts to manage downside risk.
At the year end the Scheme held assets in foreign currencies as follows:

	Total Scheme as at 31 March 2012				Total Scheme as at 31 March 2011			
	Non-derivative financial assets $ 000s	Forward foreign exchange contracts $ 000s	Net exposure $ 000s	% of net Scheme assets 2012	Non-derivative financial assets $ 000s	Forward foreign exchange contracts $ 000s	Net exposure $ 000s	% of Net Scheme assets 2011
Australian dollar	93,711	-	93,711	13%	106,584	-	106,584	20%
Euros	43,557	(82,485)	(38,928)	-5%	9,207	(50,865)	(41,658)	-8%
U.S. dollar	182,218	(126,376)	55,842	8%	112,025	(99,594)	12,431	2%
Pound sterling	32,979	(39,822)	(6,843)	-1%	44,411	(24,472)	19,939	4%
Swiss franc	18,184	-	18,184	3%	20,755	-	20,755	4%
Swedish krona	-	-	-	0%	4,159	-	4,159	1%
Canadian dollar	3,667	-	3,667	1%	1,115	-	1,115	0%
Japanese yen	5,341	(60,457)	(55,116)	-9%	3,006	(40,381)	(37,375)	-7%
Total foreign currency risk	379,657	(309,140)	70,517	10%	301,262	(215,312)	85,950	16%
New Zealand dollar	343,391	306,694	650,085	90%	219,070	221,335	440,406	84%
Total currency risk	723,048	(2,446)	720,602	100%	520,332	6,023	526,356	100%

Foreign exchange sensitivity:
If the New Zealand dollar strengthened by 1%, the Scheme's income would have decreased by $9.6m (2011: $8.1m). The analysis assumes that all other variables remain constant.

A weakening of the New Zealand dollar by 1% would have an equal but opposite effect, on the basis that all other variables remain constant.

16 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 15, the Scheme endeavours to invest the contributions received in appropriate investments whilst maintaining sufficient liquidity to meet any withdrawal requests.

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

17 Financial assets and liabilities

Accounting classifications and fair values

The table below provides reconciliation of the line items in the Scheme's Statement of Net Assets to various categories of financial instruments, loans and receivables and other amortised costs.

	Total Scheme 2012				
	Derivatives held for trading Year ended 31-Mar-12 $ 000s	**Designated at fair value** Year ended 31-Mar-12 $ 000s	**Loans and receivables** Year ended 31-Mar-12 $ 000s	**At amortised cost** Year ended 31-Mar-12 $ 000s	**Total carrying amount / fair value** Year ended 31-Mar-12 $ 000s
Assets					
Investments	-	696,996	-	-	696,996
Receivables	-	-	3,458	-	3,458
Cash and cash equivalents	-	-	22,594	-	22,594
Derivatives	(2,944)	-	-	-	(2,944)
Total assets	(2,944)	696,996	26,052	-	720,104
Liabilities					
Investments payable	-	-	-	-	-
Management and administration fees payable	-	-	-	(635)	(635)
PIE tax payable	-	-	-	(4,427)	(4,427)
Total liabilities	-	-	-	(5,062)	(5,062)

	Total Scheme 2011				
	Derivatives held for trading Year ended 31-Mar-11 $ 000s	**Designated at fair value** Year ended 31-Mar-11 $ 000s	**Loans and receivables** Year ended 31-Mar-11 $ 000s	**At amortised cost** Year ended 31-Mar-11 $ 000s	**Total carrying amount / fair value** Year ended 31-Mar-11 $ 000s
Assets					
Investments	-	501,229	-	-	501,229
Receivables	-	-	2,786	-	2,786
Cash and cash equivalents	-	-	16,316	-	16,316
Derivatives	4,964	-	-	-	4,964
Total assets	4,964	501,229	19,102	-	525,295
Liabilities					
Investments payable	-	-	-	-	-
Management and administration fees payable	-	-	-	(475)	(475)
PIE tax payable	-	-	-	316	316
Total liabilities	-	-	-	(159)	(159)

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

18 Related Party Transactions

As at 31 March 2012, the Scheme held interests in financial instruments issued by New Zealand Post Limited, Kiwi Capital Securities Limited and Kiwibank Limited (the "Related Party Issuers") each a related party of the Investment Manager. The Scheme held no other interests in any related party. The Scheme's interests in financial instruments issued by the Related Party Issuers became related as a result of the acquisition by Kiwi Wealth Management Limited of all interests in the Investment Manager. The following table details the financial instruments issued by the Related Party Issuers in which the Scheme held interests:

Related Party Issuer	Number of Units Held	Value as at 31 March 2012	Security	Maturity Date
Kiwibank Limited	3,643,300	$ 3,689,883.00	Unsubordinated bonds	29-Apr-14
New Zealand Post Limited	5,272,300	$ 5,262,560.00	Unsubordinated bonds	15-Nov-16
Kiwi Capital Securities Limited	968,200	$ 987,564.00	Preference shares	Perpetual

The fee deducted monthly by the Manager on behalf of the Trustee covers trustee, audit and investment management charges (among others) as described in note 5. Such charges are invoiced to and paid by the Manager out of the fee it receives. There are no other related party charges.

All related party transactions are conducted on an arm's length basis at standard commercial terms and conditions.

Management and administration fees charged to and payable by the Scheme were:

	Total Scheme Year ended 31-Mar-12 $ 000s	Total Scheme Year ended 31-Mar-11 $ 000s
Balance due at the beginning of the period	475	317
Current year management fee	6,603	4,813
Actual payment made during the year	(6,443)	(4,655)
Balance due at the end of the period	635	475

19 Contingent Liabilities

As at 31 March 2012, the Scheme has no known outstanding contingent liabilities or commitments (2011: nil).

20 Events Subsequent to Balance Date

On 29 May 2012 the Manager changed its registered address from c/o WHK Wellington, 45 Knights Road, Lower Hutt, Wellington, New Zealand to Level 12, New Zealand Post House, 7 Waterloo Quay, Wellington, New Zealand 6011.

On 2 April 2012 the Trust Deed was amended to provide for the Trustee to be paid a variable fee of up to 1% per annum of a member's account balance and allow the Manager to enter related party transactions on the terms set out in that deed.

Independent auditor's report

To the members of the Gareth Morgan KiwiSaver Scheme

Report on the financial statements

We have audited the accompanying financial statements of the Gareth Morgan KiwiSaver Scheme (the "Scheme") on pages 2 to 18. The financial statements comprise the statement of net assets as at 31 March 2012, the statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustee's responsibility for the financial statements

The trustee is responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the Scheme in relation to taxation. 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 auditor of the Scheme. The firm has no other relationship with, or interest in, the Scheme.

Opinion

In our opinion the financial statements of the Gareth Morgan KiwiSaver Scheme on pages 2 to 18:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Scheme as at 31 March 2012 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Gareth Morgan KiwiSaver Scheme as far as appears from our examination of those records.

KPMG

31 May 2012
Wellington