



THE LAW
RETIREMENT
KIWISAVER SCHEME



Annual Report
31 March 2010



THE LAW
RETIREMENT
KIWISAVER SCHEME

returns in brief

FINANCIAL YEAR TO 31/03/2010

Balanced portfolio	18.55%
Dynamic portfolio	18.33%

Chairman's review

Members enjoyed excellent gains in 2010, and the Scheme has achieved industry-leading two-year average annual returns.

The story dominating the year to 31 March 2010 was the emergence of global economic reflation. This made the year a good one both for investors in The Law Retirement KiwiSaver Scheme as well as for world prosperity. What is now being referred to as the 'Global Financial Crisis' ebbed in mid-year with a global economic depression similar to the '30s being averted. As usual, financial markets heralded the turnaround with a powerful rebound commencing about six months ahead of statistical confirmation of the downturn bottoming out. The investment assets of the Scheme were well positioned and members benefitted from the very outset in the recovery of financial markets.

In absolute terms the investment gains achieved for the year to 31 March 2010 are well in excess of the normally expected long-run rate of return. Particularly gratifying for Law Retirement KiwiSaver Scheme's members is that these gains come on top of a relatively small setback suffered during the Global Financial Crisis. While the Scheme's two-year average return is very positive, some other managed funds are still recovering from losses made during the crisis period.

However, the year ahead is looking especially uncertain. In such times systematic diversification, in accordance with Modern Portfolio Theory and as practiced by the Scheme, is a comfort. Spreading investments across uncorrelated asset classes remains the sole recognized defence against market volatility.

The other major event to take place during the year was specific to The Law Retirement KiwiSaver Scheme. While a proportionate share of pooled investments has hitherto been efficient, and served members well over the years, it meant that valuations could be formalized only annually or semi-annually. The introduction of unitisation makes unit prices and holdings available to members monthly, and regular contributors may track the accumulation of their units. Unitization brings the service offered by The Law Retirement KiwiSaver Scheme on to an equal footing with other schemes.

Hugh Garlick
30 August 2010



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Investment statement and prospectus available

The Scheme has an investment statement and prospectus complying with investment and product adviser disclosure legislation.

New members are given a copy of the investment statement when they join the Scheme – existing members are also entitled to a copy on request. New and existing members are also entitled to request a copy of the Scheme's prospectus.

The registration date of the most recent prospectus was 26 June 2010.

If you would like a copy of either the investment statement or prospectus, please call Legal & Professional Investment Services on 09-377 3517.

Crediting rates

A nil crediting rate was applied to member's accounts for withdrawals up to 31 December 2010. From that date the following crediting rates applied:

	Balanced	Dynamic
to 31/01/2010	12.77%	13.05%
to 28/02/2010	15.16%	14.46%
to 31/03/2010	18.55%	18.33%

Member's Choice

Members have widely differing investments needs. Member's Choice allows members to be able to decide what type of investment approach they want to follow, and to be able to change that approach as their personal circumstances change.

If you wish to change your portfolio – either the portfolio your contributions (and your employer's contributions) are invested in, or the portfolio of your existing member's account balance – contact us for an election form.

Phone 09 377 3517 or email christine@lawretirement.co.nz

Scheme membership

Current...

Members as at 1 April 2009	254
Withdrawals/Transferred	9
New members	28
Members as at 31 March 2010	273



THE LAW RETIREMENT KIWISAVER SCHEME

Trustee's certificate

The Trustee certifies that in respect of the year ended 31 March 2010:

1. All contributions required to be made to the Scheme in accordance with the trust deed have been made.
2. All benefits required to be paid from the Scheme in accordance with the trust deed have been paid.
3. The market value of the Scheme's assets at 31 March 2010 exceeded the value of all benefits payable to members on that date. The audited financial statements and auditor's report is included in this annual report.
4. The Trustee has applied contributions received in respect of each member, including contributions paid via the Commissioner of Inland Revenue (Commissioner) in respect of that member, in accordance with the trust deed.
5. (a) that it has, in respect of each member of the scheme, applied any fee subsidies received in respect of that member in accordance with prescribed requirements, and
(b) there is a scheme provider agreement between the Commissioner and the provider of the scheme that remains in force, and
(c) there has been an increase in a fee referred to in clause 2 of the KiwiSaver scheme rules during the year. The Law Retirement KiwiSaver Scheme admin fee increased on 01/08/09 from \$5.20 per member to \$5.30 per member (in line with CPI @ 1.9%). The fee, as increased, is not unreasonable and the Government Actuary was advised of this change.
6. (a) 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; nil members & \$0.00.
(b) The number of members of the scheme who during the year have made a withdrawal on the grounds of significant hardship under clause 10 of the KiwiSaver scheme rules and the total amount withdrawn by all of those members; nil members & \$0.00.
(c) 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; nil members & \$0.00.
(d) 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; nil members & \$0.00

Amendments to the trust deed

There were no amendments to the Trust Deed during the year ended 31 March 2010.

A copy of the consolidated trust deed is available to members on request – contact the Scheme's administrator.



THE LAW RETIREMENT KIWISAVER SCHEME

(e) The total amount of fees that have been charged in the period; \$16,248.

(f) The total amount of each type of contributions received by the provider for the year, and the number of members credited with each type;

	KIWISAVER	KIWISAVER	KIWISAVER	KIWISAVER	KIWISAVER	KIWISAVER
	Member Contributions	Kickstart	Employer Full Vesting	Employee Voluntary	Member Tax Credits	Fee Subsidy
Number of members	233	23	144	95	226	204
Totals	\$382,990	\$23,000	\$154,270	\$85,787	\$217,439.68	\$4,080.00

(g) The total amount of members' accumulation at the end of the year, and the number of members with accumulation; \$2,228,670 for 273 members

(h) The total amount of fees subsidies credited to members for the year and the number of member's credited; nil for nil members.

Signed for and on behalf of the Trustee.

H Garlick – Chairman
30 August 2010

The numbers you
need to know if
you need to know
anything...

For information on the Scheme
www.lawretirement.co.nz

View your transaction details using your
user name and password at
www.ebenefits.com.au

If you have any questions or comments
about this annual report, Members'
Choice, KiwiSaver, or about the Law
Retirement Plan in general, please
contact the Plan's administrator:

Brian Roulston
Legal & Professional
Investment Services
PO Box 1130, Auckland

Ph: 09-366 7382
or 0800 44 55 86
Fax: 09-358 0945
e-mail: brian@diversified.co.nz

The Law Retirement KiwiSaver Scheme
Financial Statements
for the Year Ended 31 March 2010

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AUDITOR'S REPORT**TO THE MEMBERS OF THE LAW RETIREMENT KIWISAVER SCHEME ("The Scheme")**

We have audited the financial statements on pages 2 to 13. The financial statements provide information about the past financial performance of The Scheme and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 6 to 8.

TRUSTEES' RESPONSIBILITIES

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

AUDITOR'S RESPONSIBILITIES

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

BASIS OF OPINION

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

- the significant estimates and judgments made by the Trustees in the preparation of the financial statements; and
- whether the accounting policies are appropriate to The Scheme's circumstances, consistently applied and adequately disclosed.

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

Other than in our capacity as auditor, we have no relationship with or interests in The Scheme.

UNQUALIFIED OPINION

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

In our opinion:

- proper accounting records have been kept by The Scheme as far as appears from our examination of those records; and
- the financial statements on pages 2 to 13
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the financial position of The Scheme as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date

Our audit was completed on 27 August 2010 and our unqualified opinion is expressed as at that date.



The Law Retirement KiwiSaver Scheme

Statement of Financial Position

As at 31 March 2010

	Note	2010	2009
<u>INVESTMENTS</u>			
Government Stock		-	16,977
Fixed Interest		11,234	103,421
Equities		50,185	959,496
Diversified Wealth Management Fund		2,150,513	-
<u>Total Investments</u>	12	2,211,932	1,079,894
<u>OTHER ASSETS</u>			
Cash at Bank		29,846	27,057
Accounts Receivable		869	-
Income Tax Refund	8	-	2,272
<u>Total Other Assets</u>		30,715	29,329
<u>Total Assets</u>		2,242,647	1,109,223
<u>Less CURRENT LIABILITIES</u>			
Accounts Payable		3,375	1,310
Income Tax Payable	8	10,602	-
<u>Total Current Liabilities</u>		13,977	1,310
<u>NET ASSETS AVAILABLE TO PAY BENEFITS</u>		<u>\$2,228,670</u>	<u>\$1,107,913</u>
Represented by:			
<u>LIABILITY FOR ACCRUED BENEFITS</u>			
Reserves	3	-	-
Allocated to Members' Accounts	2	2,228,670	1,107,913
<u>TOTAL ACCRUED BENEFITS</u>		<u>\$2,228,670</u>	<u>\$1,107,913</u>

The accompanying notes form part of these financial statements.

For and on behalf of the Trustee, who authorized the issue of these financial statements on the date below.


 _____ 27/8/2010 Date
 TRUSTEE


 _____ 27/8/2010 Date

The Law Retirement KiwiSaver Scheme

Statement of Changes in Net Assets Attributable to Unitholders

for the Year Ended 31 March 2010

	2010	2009
<u>Opening Balance</u>	1,107,913	580,234
<u>Plus:</u>		
Contributions	895,845	802,291
Total Comprehensive Income for the Year	<u>316,142</u>	<u>-</u>
	1,211,987	802,291
	<u>2,319,900</u>	<u>1,382,525</u>
<u>Less:</u>		
Other Withdrawals (special cases and transfers to other funds)	56,519	226,238
<u>Total Withdrawals</u>	<u>56,519</u>	<u>226,238</u>
Administration Fees Charged Direct to Members	16,248	15,868
Operating Loss for the Year	-	32,367
Unitholder Tax Liabilities	<u>18,463</u>	<u>139</u>
	91,230	274,612
<u>CLOSING BALANCE</u>	<u>\$2,228,670</u>	<u>\$1,107,913</u>
<u>Units on Issue</u>		
Units Issued	2,165,466	-
Units Redeemed	<u>(135,294)</u>	<u>-</u>
<u>CLOSING BALANCE</u>	<u>2,030,171</u>	<u>-</u>

The accompanying notes form part of these financial statements.

The Law Retirement KiwiSaver Scheme

Statement of Comprehensive Income

for the Year Ended 31 March 2010

	Note	2010	2009
<u>INVESTMENT ACTIVITIES</u>			
<u>Investment Revenues</u>			
Dividends Received		40,738	21,477
Interest Received		9,357	12,101
Diversified Wealth Management Fund Change in Value		96,814	-
Sundry Income		2,480	67
Trail Commissions		5,042	-
Exchange Differences		(29,761)	32,594
Changes in Net Current Values	6	229,856	(92,291)
<u>Total Investment Revenues</u>		<u>354,526</u>	<u>(26,052)</u>
<u>Investment Expenses</u>			
Investment Managers Fees		10,298	3,886
<u>Net Investment Revenues</u>		<u>344,228</u>	<u>(29,938)</u>
<u>Other Expenses</u>			
Administration Fees		22,469	1,943
Trustees' Fees		5,617	486
<u>Total Other Expenses</u>		<u>28,086</u>	<u>2,429</u>
<u>PROFIT/(LOSS) BEFORE TAX</u>		<u>\$316,142</u>	<u>(\$32,367)</u>
<u>MEMBERSHIP ACCOUNTS</u>			
Profit/(Loss) Before Tax		316,142	(32,367)
Plus Contributions from Members		895,845	802,291
		<u>1,211,987</u>	<u>769,924</u>
Less Withdrawals		56,519	226,238
Less Administration Fees Charged Direct to Members		16,248	15,868
Less Unitholder Tax Liability	8	18,463	139
<u>NET INCREASE IN MEMBERSHIP ACCOUNTS</u>		<u>\$1,120,757</u>	<u>\$527,679</u>

The accompanying notes form part of these financial statements.

The Law Retirement KiwiSaver Scheme

Cash Flow Statement

for the Year Ended 31 March 2010

	Note	2010	2009
<u>Cash flows from operating activities</u>			
Cash provided from:			
Interest received		9,357	12,101
Dividends received		40,738	21,544
Other income		6,652	-
Exchange gains		-	1,816
		<u>56,747</u>	<u>35,461</u>
Less Cash applied to:			
Direct investment expenses		10,298	3,859
General administration expenses		-	2,412
Exchange losses		798	-
		<u>11,096</u>	<u>6,271</u>
Net cash inflows from operating activities	10		45,651
			<u>29,190</u>
<u>Cash flows from investing activities</u>			
Cash provided from:			
Sale of investment assets		2,226,737	292,253
		<u>2,226,737</u>	<u>292,253</u>
Less Cash applied to:			
Purchase of investment assets		3,087,080	911,366
		<u>3,087,080</u>	<u>911,366</u>
Net cash inflows/(outflows) from investing activities			(860,343)
			<u>(619,113)</u>
<u>Cash flows from membership activities</u>			
Cash provided from:			
Members' contributions		895,845	802,291
		<u>895,845</u>	<u>802,291</u>
Less Cash applied to:			
Income tax		5,589	2,266
Withdrawals		72,775	240,796
		<u>78,364</u>	<u>243,062</u>
Net cash inflows from membership activities			817,481
Net increase/(decrease) in cash field			2,789
Add cash at start of year			27,057
BALANCE AT END OF YEAR		<u>\$29,846</u>	<u>\$27,057</u>

The accompanying notes form part of these financial statements.

The Law Retirement KiwiSaver Scheme

Notes to the Financial Statements

for the Year Ended 31 March 2010

1. Statement of Accounting Policies

(a) Reporting Entity

The Law Retirement KiwiSaver Scheme ("the Plan") is a defined contribution superannuation scheme, mainly covering employees engaged in the legal profession.

Under this Plan, contributions are made by Plan members, and in some cases, their employers. The Plan is registered under the Superannuation Schemes Act 1989.

The Plan's investment activities are managed by Law Retirement Plans Limited. The registered office for Law Retirement Plans Limited is Level 1, 301 Parnell Road, Auckland. The principal activity of the Plan is investment.

The financial statements of the Plan have been prepared in accordance with NZ IAS 26 Accounting and Reporting by Retirement Benefit Plans, the provisions of the Trust Deed and relevant legislative requirements.

(b) Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Plan, with the exception that the assets of the Plan are recorded at fair value. The presentation currency is New Zealand dollars.

(c) Specific Accounting Policies

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards appropriate for profit oriented entities. Compliance with NZ IFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

(i) Investments

Liquid investments are stated at fair value, as determined by the closing market value at balance date. Bid price valuation rather than last sale price is applied as a measure of fair value of investments. Changes in fair value of investments are recognised in the Statement of Comprehensive Income in the period in which they occur.

Illiquid investments are valued according to the information available at balance date. These are valued at either the estimated net asset value per unit provided by the responsible entity and the investment manager, or the last market sale price on the NZDX.

The Law Retirement KiwiSaver Scheme

Notes to the Financial Statements

for the Year Ended 31 March 2010

(ii) Investment Revenue

Investment revenue has been accounted for on an accruals basis. Dividends received are stated net of imputation credits.

(iii) Taxation

The Plan qualifies as and has elected to be a Portfolio Investment Entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Plan has no income tax expense. Accordingly, no income tax expense is recognised in the Statement of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statements of Changes in Net Assets Attributable to Unitholders.

Under the PIE regime, the Manager attributes the taxable income of the Plan to Unitholders in accordance with the proportion of their interest in the Plan. The income attributed to each Unitholder is taxed at the Unitholder's "prescribed investor rate" (which is capped at 30% from 1 April 2008) on redemptions and annually at 31 March each year.

(iv) Accrued Benefits

The liability for accrued benefits is the Plan's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amount of the liabilities at balance date. Accrued benefits include amounts allocated to members' accounts, and reserves.

(v) Financial Instruments

The assets and liabilities of the Plan are financial instruments and are recognised in the Statement of Financial Position. The fair value of cash at bank, investments, receivables and payables are considered to be equivalent to their carrying values as reflected in the Statement of Financial Position.

The investments are classified as financial assets at fair value through profit or loss, being designated as such upon initial recognition. Fair value is determined by reference to bid prices per published price quotation in an active market.

(vi) Foreign Currencies

Transactions recognised in foreign currencies are translated to New Zealand dollars at the exchange rate prevailing at the transaction date. For overseas investments held at balance date, month end rates were used to convert the investments to New Zealand dollars:

Australian Dollars	0.7776	(2009 - 0.8282)
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(vii) Goods & Services Tax

These accounts have been prepared on a GST inclusive basis of accounting.

The Law Retirement KiwiSaver Scheme

Notes to the Financial Statements

for the Year Ended 31 March 2010

2010

2009

(d) Changes in Accounting Policies

There have been no changes in accounting policies during the year. All policies have been applied on a basis consistent with the prior year.

2. Liability for Accrued Benefits

(a) Changes in accrued benefits allocated to members' accounts:

Balance at beginning of year	1,107,913	580,234
Net membership contributions	839,326	576,053
Less administration fees charged direct to members	(16,248)	(15,868)
Less unitholders tax liability	(18,463)	(139)
Plus benefits/(loss) allocated	316,142	(32,367)
Balance at end of year	<u>\$2,228,670</u>	<u>\$1,107,913</u>

(b) The movement in membership numbers were:

Opening numbers	254	195
New members	28	62
Other adjustments	(1)	-
Retirements and transfers	(8)	(3)
Closing numbers	<u>273</u>	<u>254</u>

3. Reserves

The Reserve Fund consists of monies not otherwise required to meet Plan obligations. The Reserve Fund may be used, at the discretion of the Trustee, for increasing the retirement benefits of the members, or for hardship purposes, or for payment of expenses including providing for contingent liabilities of the Plan, or for payment of members contributions or providing for other benefits, on an equitable basis.

According to the Trust deed, the Trustee has the discretion to transfer up to 10% of the profit for the year to the Reserve Fund.

4. Vested Benefits

Vested Benefits are benefits the rights to which under the conditions of the scheme are not conditional on continued membership.

5. Guaranteed Benefits

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

6. Changes in fair value of assets held at balance date and realised gain on sale of assets:

Investments held at balance date:

Fixed Interest	6,171	(26,315)
Equities	(20,181)	(69,767)
	<u>(14,010)</u>	<u>(96,082)</u>

Investments realised during the year:

Fixed Interest	24,931	(3,802)
Equities	218,935	7,593
	<u>243,866</u>	<u>3,791</u>
Total	<u>\$229,856</u>	<u>(\$92,291)</u>

The Law Retirement KiwiSaver Scheme

Notes to the Financial Statements

for the Year Ended 31 March 2010

2010

2009

7. Illiquid Investments

At balance date the Plan held the following illiquid investments:

	<u>No. of Units</u>	<u>Value 2010</u>
Absolute Capital Yield Strategies Fund	39,730	\$11,007

8. Income Tax

On 1 October 2007 the Plan became a portfolio tax rate entity (PTRE), a type of portfolio investment entity (PIE). Accordingly, from that date the Plan has paid tax on its investment income based on the tax rates of investors rather than at a flat rate.

The taxable income of the plan was calculated. Administration fees charged direct to members are taken into account before allocating the resulting income to investors and applying the individual tax rates.

The unitholders tax liability in the Statement of Changes in Net Assets Attributable to Unitholders consists of:

Taxation payable based on investor rates	8,403	-
Prior Period adjustments	10,060	139
Unitholder tax liability	<u>\$18,463</u>	<u>\$139</u>

The tax asset in the Balance Sheet consists of:

Tax payable/(refund) from prior year	7,789	(895)
Tax payable/(refund) from current year	2,813	(1,377)
Tax payable/(refundable)	<u>\$10,602</u>	<u>(\$2,272)</u>

9. Contingent Liabilities and Future Commitments

There were no contingent liabilities or future commitments as at balance date (2009: \$Nil).

10. Reconciliation of Net Cash Flow from Operating Activities to Benefits Accrued as a Result of Operations

Benefits/(losses) accrued as a result of operations	316,142	(32,367)
Add/(less) non-cash items:		
Changes in net current value:		
Investments	(271,687)	60,247
	<u>(271,687)</u>	<u>60,247</u>
Add/(less) movements in other working capital items:		
Increase/(Decrease) in accounts payable	2,065	1,310
Decrease/(Increase) in accounts receivable	(869)	-
	<u>1,196</u>	<u>1,310</u>
Net cash inflows from operating activities	<u>\$45,651</u>	<u>\$29,190</u>

The Law Retirement KiwiSaver Scheme

Notes to the Financial Statements

for the Year Ended 31 March 2010

2010

2009

11. Risk Management Policy

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Investments, cash at bank and receivables of the Plan are all subject to credit risk in the event of non-performance by counterparties. The carrying amount best represents the maximum exposure to credit risk. Given the nature of operations, no collateral or other security is held. There is no significant concentration of credit risk as a result of asset class and asset sector diversification, including within the Diversified Wealth Management Fund.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Risk management of the Plan's currency exposure is in the first instance through asset class and asset sector diversification, within formally established limits. The portfolio's position in the offshore sectors is unhedged.

(c) Market risk

The Plan has 96.5% of net assets invested in the Diversified Wealth Management Fund whose activities expose the Plan to a variety of market risks. This investment is further comprised of a balanced fund and dynamic fund which are referred to collectively as "the Funds". The different methods used to measure and manage the various types of market risk by which the Funds are exposed are explained below.

(i) Price risk

The Funds are exposed to securities price risk on its equity and unit trust holdings. This arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments – for example, equity securities- are denominated in currencies other than New Zealand dollars, the price initially expressed in foreign currency and then converted into New Zealand dollars will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

The Funds manage price risk by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The table below summarises the sensitivity of the Funds' net assets attributable to Unitholders to equity and commodity price movements, including the effect of movements in foreign currency exchange rates on equity and commodity prices, as at 31 March 2010. If the prices of equity securities in which the Funds invest at 31 March 2010 had increased or decreased by 5% with all other variables held constant, this would have had the following impact on the Statement of Comprehensive Income and net assets attributable to Unitholders.

	<u>Balanced</u> <u>2010</u> \$	<u>Dynamic</u> <u>2010</u> \$
5% increase in equity and commodity prices	57,069	35,675
5% decrease in equity and commodity prices	(57,069)	(35,675)

The Law Retirement KiwiSaver Scheme

Notes to the Financial Statements

for the Year Ended 31 March 2010

(c) Market risk (continued)

(ii) Foreign exchange risk

Foreign currency risk, as defined in IFRS 7, 'Financial Instruments: Disclosures', arises as the value of future transactions recognised monetary assets and monetary liabilities denominated in currencies other than the functional currency fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. The Funds operate internationally and hold both monetary and non-monetary assets denominated in currencies other than New Zealand dollars, the functional currency. However, management monitors the exposure on all foreign currency denominated assets and liabilities. The table below has been analysed between monetary and non-monetary items to meet the requirements of IFRS 7.

The Funds may enter into foreign exchange derivatives to hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency. The Funds may choose not to enter into any foreign currency hedging transactions. As the nature of these contracts is to manage the international investment activities of the Funds, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities.

At balance date the Funds had the following foreign currency exposures (expressed in NZD equivalents):

	<u>Balanced</u> <u>2010</u> \$	<u>Dynamic</u> <u>2010</u> \$
Foreign currency exposures		
<i>Australian Dollar (AUD)</i>		
Monetary assets	21,235	833
Non-monetary assets	420,889	268,967
<i>Canadian Dollar (AUD)</i>		
Non-monetary assets	77,447	68,111
<i>British Pounds (GBP)</i>		
Monetary assets	97	(3)
Non-monetary assets	135,330	89,526
<i>United States Dollar (AUD)</i>		
Monetary assets	862	-
Non-monetary assets	322,683	148,783

At balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant, the impact on the Statement of Comprehensive Income and Net Assets Attributable to Unitholders would have been as follows:

	<u>Balanced</u> <u>2010</u> \$	<u>Dynamic</u> <u>2010</u> \$
<i>Monetary assets</i>		
Exchange rates increased by 5%	(1,057)	(39)
Exchange rates decreased by 5%	1,168	44
<i>Non-monetary assets</i>		
Exchange rates increased by 5%	(45,540)	(27,399)
Exchange rates decreased by 5%	50,334	30,284

The Law Retirement KiwiSaver Scheme

Notes to the Financial Statements

for the Year Ended 31 March 2010

(c) Market risk (continued)

(iii) Fair value cash flow interest rate Risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Funds also hold fixed interest securities that expose the Funds to fair value interest rate risk. The Funds also hold cash and cash equivalents in New Zealand dollars and other currencies that expose the Funds to cash flow interest rate risk. The contractual maturity profiles and the effective interest rates of interest earning financial instruments are as follows:

	<u>Balanced</u> <u>2010</u>	<u>Dynamic</u> <u>2010</u>
<i>Fixed interest securities</i>	<u>\$</u>	<u>\$</u>
1-2 years	12,596	-
5-5 years	57,554	11,050
Over 5 years	9,311	-
Perpetual	58,435	9,410
Total fixed interest securities	<u>137,896</u>	<u>20,460</u>
Weighted average interest rate % per annum	5.05%	2.52%
<i>Cash and cash equivalents</i>		
At call	31,735	12,814
Interest rate % per annum	2.50%	2.50%

At balance date, had the interest rate increased or decreased by 1% with all other variable held constant, the impact on the fair value of financial assets held by the Funds and therefore the impact on profit and loss and net assets attributable to Unitholders, would have been as follows:

	<u>Balanced</u> <u>2010</u>	<u>Dynamic</u> <u>2010</u>
<i>Fair value interest rate risk</i>	<u>\$</u>	<u>\$</u>
Interest rates increased by 1%	(2,125)	(310)
Interest rates decreased by 1%	2,202	322

At balance date, had the interest rate increased or decreased by 1% with all other variables held constant, the impact on future cash flows by the end of the following 12 month period and therefore the impact on the profit and loss and net assets attributable to Unitholders would be as follows:

	<u>Balanced</u> <u>2010</u>	<u>Dynamic</u> <u>2010</u>
<i>Cash flow interest rate risk</i>	<u>\$</u>	<u>\$</u>
Interest rates increased by 1%	317	128
Interest rates decreased by 1%	(317)	(128)

(d) Interest risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Structured diversification across asset classes ensures only a portion of the Plan's assets are exposed to interest rate risk.

The Law Retirement KiwiSaver Scheme

Notes to the Financial Statements

for the Year Ended 31 March 2010

(d) Interest risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Structured diversification across asset classes ensures only a portion of the Plan's assets are exposed to interest rate risk.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan's liabilities are not significant and investments are in a variety of instruments including government stock, fixed interest securities, New Zealand equities and international equities.

12. Investments

(a) At balance date the market value of the following investments exceeded 5% of the net assets available for benefits:

	<u>NZ \$</u>
Diversified Wealth Management Fund	2,150,513

(b) At balance date the market value of the following investments exceeded 5% of its class:

	<u>NZ \$</u>
<u>Fixed Interest</u>	
Absolute Capital Y	11,007
<u>Equities</u>	
Macquarie Global – Tst I B Units	48,759

13. Related Party Transactions

There were no related party transactions during the year (2009 - none).

14. Post Balance Date Event

There were no post balance date events affecting these financial statements.



THE LAW RETIREMENT KIWISAVER SCHEME

Directory (as at 31 August 2010)

TRUSTEE

Law Retirement Plans Limited

DIRECTORS OF THE TRUSTEE

Hugh Garlick, Ollie Gilbert, David Rolfe

INVESTMENT CONSULTANT

Diversified Investment Strategies Limited

ADMINISTRATOR

Legal & Professional Investment Services Limited

PRIVACY OFFICER

Vicki Watson, Legal & Professional Investment Services

AUDITOR

HLB Mann Judd

SOLICITORS

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