

Diversified Wealth Management Unit Trusts
Financial Statements
For the period ended 31 March 2010

Manager's Statement

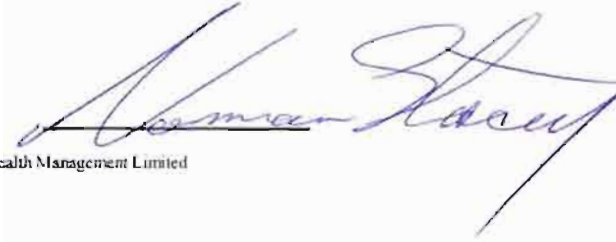
In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Diversified Wealth Management Unit Trusts as at 31 March 2010 and their results for the year ended on that date in accordance with the requirements of the Diversified Wealth Management Unit Trusts Master Trust Deed dated 19 March 2008.

The directors are of the opinion that the Diversified Wealth Management Unit Trusts will be able to pay their debts as and when they fall due.

Director

Diversified Wealth Management Limited

17 June 2010



Additional Unitholder Information

Notice of Trust Deed Amendment

Under clause 32.2 of the Trust Deed governing the Diversified Wealth Management Unit Trusts and the Unit Trusts Act 1960, the Manager, Diversified Wealth Management Limited is required to advise unitholders in summary form of any amendments to the Trust Deed.

There has been no amendment to the Trust Deed during the period covered by the Financial Statements.

Diversified Wealth Management Unit Trusts
 Statements of Comprehensive Income
 For the period ended 31 March 2010

	Notes	Balanced Fund		Dynamic Fund
		Year ended 31 March 2010	11 months ended 31 March 2009	4 months ended 31 March 2010
		\$	\$	\$
Income				
Interest income		50,806	34,464	567
Dividends and distributions		164,525	61,874	6,266
Net foreign currency gains on cash and cash equivalents		2,741	6,629	1,891
Other net changes in fair value on financial assets at fair value through profit or loss		1,142,342	(61,641)	62,977
Total income		1,360,414	41,326	71,701
Expenses				
Management fees	5	168,084	43,144	12,723
Trustee fees	5	6,355	1,631	481
Audit fees		9,450	-	5,400
Transaction costs		34,230	11,163	3,528
Interest expense		85	-	-
Other expenses		4,310	1,345	485
Total operating expenses		222,514	57,283	22,617
Profit/(loss) for the period		1,137,900	(15,957)	49,084
Other comprehensive income		-	-	-
Total comprehensive income/(loss) for the period attributable to Unitholders		1,137,900	(15,957)	49,084

The accompanying notes are an integral part of these Financial Statements.

Diversified Wealth Management Unit Trusts
Statements of Changes in Net Assets Attributable to Unitholders
For the period ended 31 March 2010

	Balanced Fund		Dynamic Fund
	Year ended 31 March 2010	11 months ended 31 March 2009	4 months ended 31 March 2010
	\$	\$	\$
Net assets attributable to Unitholders at the beginning of the period	3,450,992	-	-
Proceeds from units issued	11,085,479	3,832,452	2,006,209
Redemption of units	(601,391)	(353,459)	-
Unitholder tax liabilities	(38,169)	(12,044)	(844)
Net increase/(decrease) from transactions in units	10,445,919	3,466,949	2,005,365
Total comprehensive income/(loss) for the period attributable to Unitholders	1,137,900	(15,957)	49,084
Net assets attributable to Unitholders at the end of the period	15,034,811	3,450,992	2,054,449
	Year ended 31 March 2010	11 months ended 31 March 2009	4 months ended 31 March 2010
	Units	Units	Units
Units on issue			
Balance at the beginning of the period	3,577,780	-	-
Units issued	10,586,489	3,950,025	2,006,842
Units redeemed	(583,224)	(372,245)	(31)
Balance at the end of the period	13,581,045	3,577,780	2,006,811

The accompanying notes are an integral part of these Financial Statements.

Diversified Wealth Management Unit Trusts
 Statements of Financial Position
 As at 31 March 2010

	Notes	Balanced Fund		Dynamic Fund
		31 March 2010	31 March 2009	31 March 2010
		\$	\$	\$
Current assets				
Financial assets held at fair value through profit and loss	6	14,733,644	3,097,382	2,032,556
Accrued income	7	5,739	4,667	-
Other receivables	7	30,145	211,170	1,851
Cash and cash equivalents	7	365,495	171,180	35,485
Total assets		15,135,023	3,484,399	2,069,892
Current liabilities				
Related party payables	5	76,315	32,907	10,011
Unitholder tax liabilities payable		12,447	-	32
Other payables	7	11,450	500	5,400
Total liabilities		100,212	33,407	15,443
Net assets attributable to Unitholders		15,034,811	3,450,992	2,054,449

The Directors of Diversified Wealth Management Limited authorised these Financial Statements for issue on 17 June 2010

Director



Director



The accompanying notes are an integral part of these Financial Statements.

Diversified Wealth Management Unit Trusts
Statements of Cash Flows
For the period ended 31 March 2010

	Notes	Balanced Fund		Dynamic Fund
		Year ended 31 March 2010	11 months ended 31 March 2009	4 months ended 31 March 2010
		\$	\$	\$
Cash flows from operating activities				
Proceeds from sale of financial instruments held at fair value through profit or loss		1,829,593	734,472	465,491
Dividends and distributions		149,097	60,313	4,415
Interest income		49,758	29,797	567
Purchase of financial instruments held at fair value through profit or loss		(12,323,513)	(3,893,495)	(2,435,070)
Transaction costs on purchases and sales of financial instruments held at fair value through the profit or loss		(34,230)	(11,163)	(3,528)
Operating expenses		(135,426)	(13,213)	(3,678)
Net cash outflow from operating activities	8	(10,464,721)	(3,093,289)	(1,971,803)
Cash flows from financing activities				
Applications		11,247,854	3,626,183	2,006,209
Withdrawals		(569,177)	(352,959)	-
Unitholder tax liabilities		(22,382)	(15,384)	(812)
Net cash inflow from financing activities		10,656,295	3,257,840	2,005,397
Net increase in cash and cash equivalents		191,574	164,551	33,594
Cash and cash equivalents at the beginning of the financial period		171,180	-	-
Foreign exchange gains on cash and cash equivalents denominated in foreign currencies		2,741	6,629	1,891
Cash and cash equivalents at the end of the financial period		365,495	171,180	35,485

The accompanying notes are an integral part of these Financial Statements.

1. General information

Reporting Entity

These Financial Statements show the financial position and performance for the period ending 31 March 2010 for the following entities:

- Diversified Wealth Management Balanced Fund
- Diversified Wealth Management Dynamic Fund

Collectively these unit trusts are referred to throughout these Financial Statements as the 'Funds' and individually as a 'Fund' and are also known as the 'Diversified Wealth Management Unit Trusts'.

The Funds' investment activities are managed by Diversified Wealth Management Limited (the 'Manager'). The registered office for Diversified Wealth Management Limited is Level 8, Tower 2, 55-65 Shortland Street, Auckland. The Funds are domiciled in New Zealand.

Each fund is a separate unit trust established under a Master Trust Deed executed by Diversified Wealth Management Limited on 19 March 2008. The Diversified Wealth Management Balanced Fund was established under a Unit Trust Establishment Deed between Diversified Wealth Management Limited and The New Zealand Guardian Trust Company dated 19 March 2008 and commenced operations on 1 May 2008. The Diversified Wealth Management Dynamic Fund was established under a Unit Trust Establishment Deed between Diversified Wealth Management Limited and The New Zealand Guardian Trust Company dated 2 November 2009 and commenced operations on 2 December 2009.

The principal activity of the Funds is investment.

The Funds are profit oriented entities

The Directors of Diversified Wealth Management Limited authorised these Financial Statements for issue on 17 June 2010.

Statutory Base

The Diversified Wealth Management Unit Trusts are Unit Trusts as defined by the Unit Trusts Act 1960 and are subject to the provisions of that Act.

2. Summary of significant accounting policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the periods presented, unless otherwise stated.

The Financial Statements have been prepared in accordance with the requirements of the Unit Trusts Act 1960, the Financial Reporting Act 1993, the Trust Deed and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities. The Financial Statements also comply with International Financial Reporting Standards (IFRS). These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the directors of the Manager to exercise their judgement in the process of applying the Funds' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 3.

For the Diversified Wealth Management Balanced Fund the Financial Statements have been prepared for the year ended 31 March 2010. The comparative figures are for the eleven month period from the commencement of operations on 1 May 2008 to 31 March 2009. Therefore the comparative figures in the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Unitholders, the Statement of Cash Flows and related notes are not directly comparable.

For the Diversified Wealth Management Dynamic Fund the Financial Statements have been prepared for the four month period from the commencement of operations on 2 December 2009 to 31 March 2010. As this is the Fund's first reporting period comparative figures are not presented.

(a) Standards and amendments to existing standards effective 1 January 2009

NZ IAS 1 (revised), '*Presentation of financial statements*'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in net assets attributable to unitholders'. It requires non-owner changes in net assets attributable to unitholders' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Funds have applied NZ IAS 1 (revised) from 1 April 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Funds' performance statements as the Funds have no elements of other comprehensive income.

NZ IFRS 7 (amendment) '*Financial instruments: Disclosures*'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure about fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the Funds' financial positions or performance.

(b) Standards and amendments to existing standards that are not yet applicable and have not been early adopted by the Funds

The following new standards and amendments to existing standards are not a comprehensive list of standards and amendments but are only those that affect the Funds.

NZ IFRS 9, '*Financial Instruments*' (effective from 1 January 2013). This new standard specifies how an entity should classify and measure financial assets, including some hybrid contracts. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are required to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs, and then subsequently measured at amortised cost or fair value. Adoption of the standard is not expected to have an impact on the Funds' financial statements. The standard will be adopted for the financial period commencing 1 April 2013.

2. Summary of significant accounting policies (continued)

2.2 Financial instruments

(a) Classification

The Fund's investments are categorised as financial assets or financial liabilities at fair value through profit or loss. To date all financial assets and liabilities have been designated at fair value through profit or loss at inception.

Financial instruments designated at fair value through profit or loss upon initial recognition

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Investment Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

These are investments in fixed interest securities, exchange traded equity instruments and unit trusts and unlisted equity instruments and unit trusts.

The designation of financial instruments at fair value through profit or loss is consistent with the Funds' risk management or investment strategy.

(b) Recognition, derecognition and measurement

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date). Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Financial assets are derecognised when the rights to receive cashflows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statements of Comprehensive Income within net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statements of Comprehensive Income within dividend income when the Funds' right to receive payments is established.

(c) Fair value estimation

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the Balance Sheet date. The quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Funds hold positions in investment trusts that are not traded on a secondary market and therefore a quoted market price does not exist. However the managers of these investment trusts regularly publish unit prices at which the Funds are able to redeem the units that it holds. The fair value of these unlisted investment trusts is therefore the published redemption price.

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.4 Net assets attributable to unitholders

The Funds issue units that are redeemable at the Unitholders' option and have identical features and are therefore classified as equity. The units can be put back to the Funds at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if Unitholders exercised their right to put the units back to the Funds.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption. A Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of that Fund with the total number of outstanding units of the Fund. In accordance with the provisions of the offering documents, investment positions are valued based at the appropriate market bid or ask price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and deposits with investment custodians in New Zealand Dollars and other currencies. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Funds' main income generating activity.

2.6 Investment income

Interest income on assets held at fair value through the profit or loss is included as interest in the Statements of Comprehensive Income on an accruals basis. Changes in fair value for such instruments are recorded in accordance with the policies described in note (2.2). Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Changes in Net Assets Attributable to Unitholders as a Unitholder tax liability. Trust distributions are recognised on a present entitlement basis.

2. Summary of significant accounting policies (continued)

2.7 Receivables

Receivables may include amounts for dividends, interest and amounts due from brokers for securities sold that have been contracted for but not yet delivered by the end of the accounting period. Receivables may also include amounts for unitholder contributions where units have been issued but the application proceeds have not yet been passed to the fund by the Trustee. Receivables are initially recognised at cost, being the amounts receivable. They are subsequently measured at fair value, being the initially recognised amount reduced for impairment as appropriate. Any impairment charge is recognised in the Statements of Comprehensive Income.

2.8 Payables

Payables represent liabilities and accrued expenses owing by the Funds at year end and may include amounts due to brokers for securities purchased that have been contracted for but not yet delivered by the year end. Payables may also include amounts due to unitholders where a redemption request has been received but has not yet been paid at the balance date.

2.9 Investments gains and losses

Realised and unrealised gains and losses are reflected in the Statements of Comprehensive Income as 'other net changes in fair value on financial assets at fair value through profit or loss'.

Unrealised gains or losses include the change in net market value of investments held as at balance date and the reversal of prior period unrealised gains or losses on investments that have been realised in the current year. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

2.10 Expenses

All expenses, including the Funds' management and trustee fees, are recognised in the Statements of Comprehensive Income on an accruals basis.

2.11 Foreign currency translation

(a) Functional and presentation currency

The Funds' investors are from New Zealand, with the subscriptions and redemptions of the units denominated in New Zealand dollars. The primary activity of the Funds is to generate returns to investors by investing in financial instruments in New Zealand and other countries. The performance of the Funds is measured in New Zealand dollars. The Manager considers the New Zealand dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in New Zealand dollars, which is the Funds' functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the function currency using the exchange rate prevailing at the Balance Sheet date.

Foreign exchange gains and losses resulting from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'net foreign currency gains on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

2.12 Income tax

The Funds qualify as and have elected to be Portfolio Investment Entities (PIEs) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Funds have no income tax expense. Accordingly, no income tax expense is recognised in the Statements 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 Funds to Unitholders in accordance with the proportion of their interest in the Funds. 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.

Unitholder tax liabilities disclosed in the Statements of Changes in Net Assets Attributable to Unitholders consists of withdrawals to meet Unitholder tax liabilities under the PIE regime and any resident and foreign withholding taxes deducted at source.

2.13 Goods and services tax ("GST")

The Funds are not registered for GST. The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statements of Financial Position are stated inclusive of GST.

3. Critical accounting estimates and judgements

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates of the carrying value of financial assets are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Funds have classified units as equity instruments in accordance with revised NZ IAS 32, 'Financial Instruments: Presentation'. The Funds continually assesses the classification of the redeemable units to ensure they have all the features or meet all the conditions set out in paragraphs 16A and 16B of NZ IAS 32.

4. Commitments and contingent liabilities

There are no commitments or contingencies as at 31 March 2010 (31 March 2009: none).

5. Related Parties

5.1 General

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Diversified Wealth Management Limited is the Manager of the Funds and The New Zealand Guardian Trust Company is the Trustee of the Fund.

5.2 Related party fees

The Fund has incurred the following fees to the related parties.

		Balanced Fund		Dynamic Fund
		Year ended	11 months ended	4 months ended
		31 March 2010	31 March 2009	31 March 2010
		\$	\$	\$
Diversified Wealth Management Limited	Management fees	168,084	43,144	12,723
The New Zealand Guardian Trust Company	Trustee fees	6,355	1,631	481
		174,439	44,775	13,204

The Fund owed the following amounts to related parties at balance date.

		Balanced Fund		Dynamic Fund
		31 March 2010	31 March 2009	31 March 2010
		\$	\$	\$
Diversified Wealth Management Limited	Management fees	73,535	31,708	9,646
The New Zealand Guardian Trust Company	Trustee fees	2,780	1,199	365
		76,315	32,907	10,011

Under the Trust Deed the management fees payable to Diversified Wealth Management Limited are payable monthly in arrears. The trustee fees payable to The New Zealand Guardian Trust Company are payable quarterly in arrears.

5.2 Investments by related parties

The investment interests of the directors of Diversified Wealth Management Limited in the Fund at balance date are:

	As at 31 March 2010				As at 31 March 2009			
	No. Units	Market Value	Market Value	%	No. Units	Market Value	Market Value	%
		\$	\$			\$	\$	
Balanced Fund								
Norman William Stacey	446,474	494,266	3.3%	102,038	98,415	0.8%		
Dorothy Vicki Watson	73,201	81,036	0.5%	2,197	2,119	0.0%		
Dynamic Fund								
Norman William Stacey	69,341	70,987	3.5%					

6. Financial assets and liabilities held at fair value through profit or loss

6.1 Financial assets and liabilities

	Balanced Fund		Dynamic Fund
	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
Designated at fair value through profit or loss at inception:			
Fixed interest securities	1,588,189	311,712	56,660
Commodities	690,583	300,442	121,913
Listed equities and unit trusts	7,999,464	1,833,664	1,091,025
Unlisted equities and unit trusts	4,455,408	651,564	762,958
	14,733,644	3,097,382	2,032,556
Total designated at fair value through profit or loss at inception			
Total financial assets held at fair value through profit or loss	14,733,644	3,097,382	2,032,556

Diversified Wealth Management Unit Trusts
Notes to the Financial Statements
For the period ended 31 March 2010

6. Financial assets and liabilities held at fair value through profit or loss (continued)

6.1 Financial assets and liabilities (continued)

	Balanced Fund		Dynamic Fund 4 months ended 31 March 2010 \$
	Year ended 31 March 2010 \$	11 months ended 31 March 2009 \$	
Other net changes in fair value on financial assets at fair value through profit or loss:			
Realised	55,066	11,065	5,123
Changes in unrealised	1,087,276	(72,706)	57,854
Total gains/(losses)	1,142,342	(61,641)	62,977
Net changes in fair value:			
Financial assets designated at fair value through profit or loss at inception	1,142,342	(61,641)	62,977
Total gains/(losses)	1,142,342	(61,641)	62,977

6.2 Geographical distributions

The Funds may hold investments overseas. This exposes the Funds to the risks associated with investing in these countries. The investments of the Funds (being financial assets at fair value through profit or loss, accrued income on those financial assets and cash and cash equivalents) are represented by geographical segment as follows:

	Balanced Fund		Dynamic Fund 4 months ended 31 March 2010 \$
	Year ended 31 March 2010 \$	11 months ended 31 March 2009 \$	
Geographical sector concentration			
New Zealand	3,834,793	923,243	462,738
Australia	5,092,033	1,481,482	753,752
North America	4,618,314	536,895	603,633
Europe	1,559,738	331,609	247,918
Total	15,104,878	3,273,229	2,068,041

7. Financial instruments by category

	Balanced Fund		Dynamic Fund 31 March 2010 \$
	31 March 2010 \$	31 March 2009 \$	
Assets at fair value through the profit and loss			
Financial assets held at fair value through profit and loss	14,733,644	3,097,382	2,032,556
Total assets at fair value through the profit and loss	14,733,644	3,097,382	2,032,556
Loans and receivables			
Accrued income	5,739	4,667	-
Other receivables	30,145	211,170	1,851
Cash and cash equivalents	365,495	171,180	35,485
Total loans and receivables	401,379	387,017	37,336
Total financial assets	15,135,023	3,484,399	2,069,892
Other financial liabilities			
Related party payables	76,315	32,907	10,011
Other payables	11,450	500	5,400
Total other financial liabilities	87,765	33,407	15,411
Total financial liabilities	87,765	33,407	15,411

8. Reconciliation of profit/(loss) to net cash outflow from operating activities

	Balanced Fund		Dynamic Fund
	Year ended 31 March 2010	11 months ended 31 March 2009	4 months ended 31 March 2010
	\$	\$	\$
Profit/(loss) for the period	1,137,900	(15,957)	49,084
<i>Cash items</i>			
Proceeds from sale of financial instruments held at fair value through profit or loss	1,829,593	734,472	465,491
Purchase of financial instruments held at fair value through profit or loss	(12,323,513)	(3,893,495)	(2,435,070)
Net foreign currency gains on cash and cash equivalents	(2,741)	(6,629)	(1,891)
<i>Non cash items</i>			
Other net changes in fair value on financial assets at fair value through profit or loss	(1,142,342)	61,641	(62,977)
Net change in accrued income and receivables	(16,476)	(6,228)	(1,851)
Net change in payables	52,858	32,907	15,411
	<u>(11,602,621)</u>	<u>(3,077,332)</u>	<u>(2,020,887)</u>
Net cash outflow from operating activities	<u>(10,464,721)</u>	<u>(3,093,289)</u>	<u>(1,971,803)</u>

9. Financial risk management

9.1 Financial risk factors

The Funds' activities expose them to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Funds' overall risk management programme seeks to provide Unitholders with a competitive rate of return, while protecting Unitholders' capital sum and maintain the value of the investment relative to inflation over the medium or longer-term.

All securities investments present a risk of loss of capital. The Funds hold fixed interest securities, equity security positions, investments in unit trusts and commodities where the maximum loss of capital is limited to the fair value of these positions.

In addition to internal risk management carried out by the Manager, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Trustee and set out in each Funds' prospectus.

The Funds use different methods to measure and manage the various types of risk to which they are exposed; these methods are explained below.

9.1.1 Market risk

(a) 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 (b) '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:

	Balanced Fund		Dynamic Fund
	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
5% increase in equity and commodity prices	657,273	139,284	98,795
5% decrease in equity and commodity prices	(657,273)	(139,284)	(98,795)

9. Financial risk management (continued)

9.1 Financial risk factors (continued)

9.1.1 Market risk (continued)

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

	Balanced Fund		Dynamic Fund
	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
Australian Dollar (AUD)			
Monetary assets	244,568	169,926	2,306
Non-monetary assets	4,847,465	1,311,556	744,859
Canadian Dollar (CAD)			
Non-monetary assets	891,974	126,418	188,623
British Pounds (GBP)			
Monetary assets	1,112	37	(9)
Non-monetary assets	1,558,626	331,572	247,927
United States Dollars (USD)			
Monetary assets	9,930	-	-
Non-monetary assets	3,716,410	410,477	412,029

At the 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:

	Balanced Fund		Dynamic Fund
	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
<i>Monetary assets</i>			
Exchange rates increased by 5%	(12,172)	(8,093)	(109)
Exchange rates decreased by 5%	13,453	8,945	121
<i>Non-monetary assets</i>			
Exchange rates increased by 5%	(524,499)	(103,811)	(75,878)
Exchange rates decreased by 5%	579,709	114,738	83,865

(c) Fair value and 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 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:

	Balanced Fund		Dynamic Fund
	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
Fixed interest securities			
1-2 years	145,076	-	-
2-5 years	662,865	24,021	30,600
Over 5 years	107,237	151,263	-
Perpetual	673,011	136,428	26,060
Total fixed interest securities	1,588,189	311,712	56,660
Weighted average interest rate % per annum	5.05%	6.84%	2.52%
Cash and cash equivalents, margin deposits and foreign cash deposits			
At call	365,495	171,180	35,485
Interest rate % per annum	2.50%	2.50%	2.50%

9. Financial risk management (continued)

9.1 Financial risk factors (continued)

9.1.1 Market risk (continued)

(c) Fair value and cash flow interest rate risk(continued)

At the balance date, had the interest rate increased or decreased by 1% with all other variables 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:

	Balanced Fund		Dynamic Fund
	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
Fair value interest rate risk			
Interest rates increased by 1%	(24,474)	(7,791)	(859)
Interest rates decreased by 1%	25,366	8,255	893

At the 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 profit and loss and net assets attributable to Unitholders would be as follows:

	Balanced Fund		Dynamic Fund
	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
Cash flow interest rate risk			
Interest rates increased by 1%	3,655	1,712	355
Interest rates decreased by 1%	(3,655)	(1,712)	(355)

9.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Funds. The Funds are primarily exposed to credit risk through their investment activities. The maximum credit risk of financial instruments is considered to be the carrying value. The trustee regularly reviews and approves an investment strategy that is implemented by the Manager. The investment strategy incorporates an appropriate diversification of investments and ensures that the Funds have no significant concentration of credit risk.

The Fund invests in debt securities, which may have an investment grade as rated by recognised rating agencies. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. An analysis of debt securities by rating is set out in the table below:

	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
Prime (AAA)	81,173	-	-
High Grade (AA+ / AA / AA-)	563,871	-	47,185
Upper Medium Grade (A+ / A / A-)	1,030,148	311,712	44,960
Lower Medium Grade (BBB+ / BBB / BBB-)	278,492	-	-
	<u>1,953,684</u>	<u>311,712</u>	<u>92,145</u>

9.1.3 Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Funds are exposed only to the settlement of administration expenses and monthly redemptions of units. Its policy is therefore to invest the majority of assets in investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets in investments are not actively traded on a recognised stock exchange.

The table below analyses the Funds' financial assets and financial liabilities into relevant maturity grouping based on the remaining period at the Balance Sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	31 March 2010	31 March 2009	31 March 2010
	\$	\$	\$
Related party payables			
7 days to 1 month	76,315	32,907	10,011
Other payables			
Less than 7 days	-	500	-
1-12 months	9,450	-	5,400
	<u>9,450</u>	<u>500</u>	<u>5,400</u>
Contractual cash outflows	<u>85,765</u>	<u>33,407</u>	<u>15,411</u>

9. Financial risk management (continued)

9.2 Capital risk management

The Funds' capital is represented by net assets attributable to Unitholders. The Funds' objectives when managing capital are to provide returns for Unitholders through both capital growth and income. The Funds do this by investing in a diversified portfolio of assets in New Zealand, Australia, the United States of America and Europe. Investment decisions are guided by the mandate included in the investment statement and prospectus.

The Funds strive to invest the subscriptions of Unitholder funds in investments that meet the Funds' objectives while maintaining sufficient liquidity to meet Unitholder redemptions.

The Funds does not have any externally imposed capital requirements. Units may be redeemed on the last business day of each month, or such other dates as the manager shall from time to time determine, subject to receipt of the redemption request.

9.3 Fair value estimation

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Funds is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Funds hold financial instruments for which the market is not considered active. For these instruments the Manager uses judgement to consider whether the quoted prices available reflect the true fair value of the instrument and may make an adjustment to the quoted price if appropriate.

The carrying value less impairment provision of other receivables and payables approximate their fair values.

The Funds adopted the amendment to NZ IFRS 7, effective 1 April 2009. This requires the Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market. The following table analyses within the fair value hierarchy the Funds' financial assets (by class) measured at fair value at 31 March 2010:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Balanced Fund				
Financial assets designated at fair value through profit or loss at inception:				
Fixed interest securities	754,184	834,005	-	1,588,189
Commodities	690,583	-	-	690,583
Listed equities and unit trusts	7,999,464	-	-	7,999,464
Unlisted equities and unit trusts	-	4,455,408	-	4,455,408
	9,444,231	5,289,413	-	14,733,644
Dynamic Fund				
Financial assets designated at fair value through profit or loss at inception:				
Fixed interest securities	26,060	30,600	-	56,660
Commodities	121,913	-	-	121,913
Listed equities and unit trusts	1,091,025	-	-	1,091,025
Unlisted equities and unit trusts	-	762,958	-	762,958
	1,238,998	793,558	-	2,032,556

In the first year of application of the NZ IFRS 7 amendment, there is no requirement for an entity to provide comparative information. The Funds have therefore elected not to provide comparatives.

The valuation of the Funds' holdings of government bonds, exchange-traded bonds, listed equity securities and listed unit trusts are based on quoted market prices in active markets, and therefore classified within level 1. The Funds do not adjust the quoted price for these instruments.

The Funds' holdings of corporate bonds, unlisted equity securities and unlisted unit trusts are valued based on quoted market prices in markets that are not considered to be active and are therefore classified within level 2.

There have been no transfers between the different classifications during the financial year.

10. Segment information

A business segment is a group of assets or operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of a segment operating in other economic environments. The Funds operate in the investment industry and all operations are carried out in New Zealand.

11. Events occurring after the balance sheet date

No significant events have occurred since balance date which would impact on the financial position of the Fund disclosed in the Balance Sheet as at 31 March 2010 or on the results and cash flows of the Fund for the period ended on that date.

AUDIT REPORT TO THE UNITHOLDERS OF

DIVERSIFIED WEALTH MANAGEMENT BALANCED FUND DIVERSIFIED WEALTH MANAGEMENT DYNAMIC FUND (Collectively referred to as the 'Unit Trusts')

We have audited the financial statements on pages 3 to 16. The financial statements provide information about the past financial performance and cash flows of the Unit Trusts and their financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 7 to 9.

Manager's Responsibilities

The Manager is responsible for the preparation of financial statements which gives a true and fair view of the financial position of the Unit Trusts as at 31 March 2010 and of the results of their operations and cash flows for the period ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and reporting our opinion to you.

Basis of Opinion

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

- the significant estimates and judgements made by the Manager in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Unit Trusts 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 give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm do not carry out other assignments for the Unit Trusts. Our firm has no other interests in the Unit Trusts.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Unit Trusts as far as appears from our examination of those records; and
- the financial statements on pages 3 to 16:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of the financial position of the Unit Trusts as at 31 March 2010 and their financial performance and cash flows for the period ended on that date.

Our audit was completed on 17 June 2010 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
AUCKLAND**