ELEVATION CAPITAL®

VALUE FUND

Financial Statements 2010

ELEVATION CAPITAL

Elevation Capital Value Fund

Financial Statements

For the year 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 Elevation Capital Value Fund as at 31 March 2010 and its results for the period ended on that date in accordance with the requirements of the Elevation Capital Unit Trusts Master Trust Deed dated 20 November 2006 as amended and restated on 28 September 2007 and further amended and restated on 6 November 2007.

The directors are of the opinion that the Elevation Capital Value Fund will be able to pay its debts as and when they fall due.

Director

Elevation Capital Management Limited

12 August 2010

Additional Unitholder Information

Notice of Trust Deed Amendment

Under clause 32.2 of the Trust Deed governing the Elevation Capital Value Fund and the Unit Trusts Act 1960, the Manager, Elevation Capital 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.

	Notes	Year ended 31 March 2010 $	4 months ended 31 March 2009 $
Income			
Interest income		**12,955**	5,891
Dividend income		**18,360**	1,033
Net foreign currency gains or losses on cash and cash equivalents		**(626)**	277
Other net changes in fair value on financial assets at fair value through profit or loss	6	**91,493**	(14,283)
Total income		**122,182**	(7,082)
Expenses			
Management fees	5	**8,926**	1,317
Performance fees	5	**3,640**	-
Administration fees		**2,248**	-
Audit fees		**5,063**	-
Other auditors remuneration - audit related fees		**1,969**	-
Transaction costs		**3,562**	1,369
Other expenses		**372**	526
Total operating expenses		**25,780**	3,212
Operating profit/(loss)		**96,402**	(10,294)
Increase/(decrease) in net assets attributable to Unitholders from operations		**96,402**	(10,294)
Total comprehensive income/(loss) for the period attributable to Unitholders		**96,402**	(10,294)

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

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	Year ended 31 March 2010 $	4 months ended 31 March 2009 $
Net assets attributable to Unitholders at the beginning of the period	**595,953**	-
Proceeds from units issued	**534,165**	607,449
Unitholder tax liabilities	**(1,777)**	(1,202)
Net increase from transactions in units	**532,388**	606,247
Total comprehensive income/(loss) for the period attributable to Unitholders	**96,402**	(10,294)
Net assets attributable to Unitholders at the end of the period	**1,224,743**	595,953

	Year ended 31 March 2010 Units	4 months ended 31 March 2009 Units
Units on issue		
Units on issue at the beginning of the period	**606,470**	-
Units issued	**501,980**	607,600
Units redeemed	**(185)**	(1,130)
Units on issue at the end of the period	**1,108,265**	606,470

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

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	Notes	As at 31 March 2010 $	As at 31 March 2009 $
Current assets			
Financial assets held at fair value through profit and loss	6	**835,652**	206,487
Other receivables		**12,551**	21,009
Cash and cash equivalents		**384,524**	376,015
Total assets		**1,232,727**	603,511
Current Liabilities			
Due to brokers		**-**	5,571
Related party payables	5	**2,258**	565
Unitholder tax liabilities payable		**53**	1,111
Other payables		**5,673**	311
Total liabilities		**7,984**	7,558
Net assets attributable to Unitholders		**1,224,743**	595,953

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

The Directors of Elevation Capital Management Limited authorised these Financial Statements for issue on 12 August 2010.

Director ______________________

Director ______________________

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	Notes	Year ended 31 March 2010 $	4 months ended 31 March 2009 $
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**36,723**	19,285
Dividend income		**16,536**	457
Interest income		**12,955**	5,891
Purchase of financial instruments held at fair value through profit or loss		**(579,909)**	(234,541)
Transaction costs on purchases and sales of financial instruments held at fair value through the profit or loss		**(3,619)**	(1,312)
Operating expenses		**(15,163)**	(967)
Net cash outflow from operating activities	8	**(532,477)**	(211,187)
Cash flows from financing activities			
Proceeds from units issued		**544,447**	587,016
Unitholder tax liabilties		**(2,835)**	(91)
Net cash inflow from financing activities		**541,612**	586,925
Net increase in cash and cash equivalents		**9,135**	375,738
Cash and cash equivalents at the beginning of the financial period		**376,015**	-
Foreign exchange gains/(losses) on cash and cash equivalents denominated in foreign currencies		**(626)**	277
Cash and cash equivalents at the end of the financial period	2.5	**384,524**	376,015

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

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1. General information

Reporting Entity

The reporting entity included in these Financial Statements is the Elevation Capital Value Fund that is referred to throughout these Financial Statements as the Trust.

The Trust was created under a Master Trust Deed executed by Elevation Capital Management Limited on 20 November 2006 and a Unit Trust Establishment Deed between Elevation Capital Management Limited and The New Zealand Guardian Trust Company Limited dated 28 October 2008. The Trust commenced operations on 9 December 2008.

The Trust's investment activities are managed by Elevation Capital Management Limited (the 'Manager'). The registered office for Elevation Capital Management Limited is c/- Harmos Horton Lusk Limited, Level 37, Vero Centre, 48 Shortland Street, Auckland. The Trust is domiciled in New Zealand.

Statutory Base

The Elevation Capital Value Fund is a Unit Trust as defined by the Unit Trusts Act 1960 and is 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 its judgement in the process of applying the Trust's 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.

The Financial Statements have been prepared for the year ended 31 March 2010. The comparative figures are for the four month period from the commencement of operations on 9 December 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.

(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 Trust has 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 Trust's performance statement as the Trust has 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 Trust's financial position or performance.

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2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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 Trust.

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 subsquently measured at amortised cost or fair value. Adoption of the standard is not expected to have an impact on the Trust's financial statements. The standard will be adopted for the financial period commencing 1 April 2013.

2.2 Financial instruments

(a) Classification

The Trust'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 Trust's documented investment strategy. The Trust's 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 exchange traded equity instruments and unlisted equity instruments.

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

· *Receivables (including amounts due from brokers)*

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 are initially recognised at cost, being the amounts receivable. They are subsequently measured at amortised cost, being the initially recognised amount reduced for impairment as appropriate. Any impairment charge is recognised in profit or loss in the Statement of Comprehensive Income.

· *Payables (including amounts due to brokers)*

These amounts represent liabilities and accrued expenses owing by the Trust at year end and may include related party fees and amounts due to brokers for securities purchased that have been contracted for but not yet delivered by the year end.

(b) Recognition, derecognition and measurement

The Trust recognises financial assets and financial liabilities on the date it becomes 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 profit or loss in the Statement of Comprehensive Income.

Financial assets are derecognised when the rights to receive cashflows from the investments have expired or the Trust has 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 profit or loss in the Statement 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 profit or loss in the Statement of Comprehensive Income within dividend income when the Trust's right to receive payments is established.

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2. Summary of significant accounting policies (continued)

2.2 Financial instruments (continued)

(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 Trust 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 Trust uses 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 fair value of derivatives that are not exchange-traded is estimated at the amount that the Trust would receive or pay to terminate the contract at the Balance Sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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 Trust issues 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 Trust 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 Trust.

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust 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 Trust's net asset value per unit at the time of issue or redemption. The Trust's net asset value per unit is calculated by dividing the net assets attributable to the holders of the Trust with the total number of outstanding units of the Trust. 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.

In accordance with the Trust Deed, the Manager has full discretion as to whether to distribute any net income of the Trust. Any distributions are recognised in the Statement of Changes in Net Assets Attributable to Unitholders as distributions. Income that is not distributed is invested as part of the assets of the Trust or may be used to make later distributions to Unitholders.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and deposits with brokers in New Zealand Dollars. 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 Trust's 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 profit or loss in the Statement 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 Statement of Changes in Net Assets Attributable to Unitholders as a Unitholder tax liability. Trust distributions are recognised on a present entitlement basis.

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2. Summary of significant accounting policies (continued)

2.7 Investments gains and losses

Realised and unrealised gains and losses are reflected in profit or loss in the Statement of Comprehensive Income as net gain/(loss) on financial instruments held 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 periods 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.

2.8 Expenses

All expenses, including the Trust's management fees, performance fees and trustee fees, are recognised in profit or loss in the Statement of Comprehensive Income on an accruals basis.

2.9 Foreign currency translation

(a) Functional and presentation currency

The Trust's investors are from New Zealand, with the subscriptions and redemptions of the units denominated in New Zealand dollars. The primary activity of the Trust is to generate returns to investors by investing in securities from New Zealand, Australia and other countries. The peformance of the Trust is measured in New Zealand dollars. The Managers 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 Trust's 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 profit or loss in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in profit or loss 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 profit or loss 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'.

2.10 Income tax

The Trust 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 Trust 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 Statement of Changes in Net Assets Attributable to Unitholders.

Under the PIE regime, the Manager attributes the taxable income of the Trust to Unitholders in accordance with the proportion of their interest in the Trust. The income attributed to each Unitholder is taxed at the Unitholder's "prescribed investor rate" (which is capped at 30%, reducing to 28% from 1 October 2010) on redemptions and annually at 31 March each year.

Unitholder tax liabilities disclosed in the Statement 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.

2.11 Goods and services tax ("GST")

The Trust is not registered for GST. The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Balance Sheet are stated inclusive of GST.

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3. Critical accounting estimates and judgements

The Trust makes 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 and financial liabilities 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.

For the majority of the Trust's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over the counter derivatives or unquoted securities are fair valued using valuation techniques. Valuation techniques including models use observable data to the extent possible. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes or assumptions about these factors could affect the reported fair value of financial instruments.

The Trust has classified units as equity instruments in accordance with revised NZ IAS 32, *'Financial Instruments: Presentation'*. The Trust 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: nil).

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.

Elevation Capital Management Limited is the Manager of the Trust and The New Zealand Guardian Trust Company Limited is the Trustee of the Trust. Elevation Capital Multi-Strategy Fund is a Unit Trust managed by the Manager.

5.2 Related party fees

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

		Year ended 31 March 2010 $	4 months ended 31 March 2009 $
Elevation Capital Management Limited	Management fees	**8,926**	1,317
Elevation Capital Management Limited	Performance fees	**3,640**	-
		12,566	1,317

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

		31 March 2010 $	31 March 2010 $
Elevation Capital Management Limited	Management fees	**976**	463
Elevation Capital Management Limited	Performance fees	**1,282**	-
Elevation Capital Multi-Strategy Fund	Expenses paid on behalf of the Trust	**-**	102
		2,258	565

Under the Trust Deed the management fees and performance fees payable to Elevation Capital Management Limited are payable monthly in arrears.

5. Related Parties (continued)

5.2 Related party fees (continued)

Trustee fees payable to The New Zealand Guardian Trust Company Limited are payable quarterly in arrears. Since operations commenced these fees have been borne by the Manager. In the year ended 31 March 2010 the manager bore trustee fees of $10,917 on behalf of the Trust (four months ended 31 March 2009: $3,605). From 1 April 2010, trustee fees will be accrued and paid by the Trust.

The Manager has also made payments to subsidise the monthly fees paid to the administration manager, MMc Limited. For the year ended 31 March 2010 the Manager paid administration fees of $25,775 on behalf of the Trust (four months ended 31 March 2009: $8,951).

5.3 Investments by related parties

The investment interests of the Manager in the Trust at the 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 %
Elevation Capital Management Limited	**9,751**	**10,779**	**0.9%**	5,954	5,853	1.0%

The investment interests of the directors of Elevation Capital Management Limited in the Trust 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 %
Chris Swasbrook	**138,187**	**152,752**	**12.5%**	84,370	82,936	13.9%
Craig Stobo	**4,987**	**5,513**	**0.4%**	4,989	4,904	0.8%
Andrew Harmos	**27,491**	**30,388**	**2.5%**	18,118	17,810	3.0%
Henry van der Heyden	**4,961**	**5,484**	**0.4%**	4,962	4,878	0.8%
Stephen Smith	**9,974**	**11,025**	**0.9%**	9,977	9,808	1.6%

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

6.1 Financial assets

The Trust has invested in the following:

	31 March 2010 $	31 March 2009 $
Designated at fair value through profit or loss at inception:		
Listed equities	**751,278**	185,593
Unlisted/OTC equities	**84,374**	20,894
Total designated at fair value through profit or loss at inception	**835,652**	206,487
Total financial assets held at fair value through profit or loss	**835,652**	206,487

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

6.1 Financial assets

	Year ended 31 March 2010 $	4 months ended 31 March 2009 $
Other net changes in fair value on financial assets at fair value through profit or loss:		
Realised	**3,116**	526
Changes in unrealised	**88,377**	(14,809)
Total gains/(losses)	**91,493**	(14,283)
Net changes in fair value:		
Financial assets designated at fair value through profit or loss at inception	**91,493**	(14,283)
Total gains/(losses)	**91,493**	(14,283)

6.2 Geographical distribution

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

	31 March 2010 $	31 March 2009 $
Geographical sector concentration		
New Zealand	**607,904**	452,888
Australia	**134,910**	31,315
North America	**181,346**	53,464
Europe	**197,345**	29,619
Asia	**98,671**	15,216
Total	**1,220,176**	582,502

7. Financial instruments by category

	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	**835,652**	206,487
Total assets at fair value through the profit and loss	**835,652**	206,487
Loans and receivables		
Other receivables	**12,551**	21,009
Cash and cash equivalents	**384,524**	376,015
Total loans and receivables	**397,075**	397,024
Total financial assets	**1,232,727**	603,511

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7. Financial instruments by category (continued)

	31 March 2010	31 March 2009
	$	$
Other financial liabilities		
Related party payables	**2,258**	565
Other payables	**5,673**	5,882
Total other financial liabilities	**7,931**	6,447
Total financial liabilities	**7,931**	6,447

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

	Year ended 31 March 2010	4 months ended 31 March 2009
	$	$
Gain/(loss) for the period	**96,402**	(10,294)
Proceeds from sale of financial instruments held at fair value through profit or loss	**36,723**	19,285
Purchase of financial instruments held at fair value through profit or loss	**(579,909)**	(234,541)
Net foreign currency gains or losses on cash and cash equivalents	**626**	(277)
Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	**(91,493)**	14,283
Net change in accrued income and receivables	**(1,824)**	(576)
Net change in payables	**6,998**	933
	(628,879)	(200,893)
Net cash outflow from operating activities	**(532,477)**	(211,187)

9. Derivative financial instruments

The Trust's investment policy does not allow it to hold any derivative financial instruments other than forward foreign contracts for hedging purposes. The Trust did not enter into any forward foreign exchange contracts during the reporting period.

10. Financial risk management

10.1 Financial risk factors

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Trust's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Trust is exposed and seeks to minimise potential adverse effects on the Trust's financial performance. The Trust's investment policy does not allow it to use derivative financial instruments for any purpose other than the hedging of foreign exchange risk.

All securities investments present a risk loss of capital. The Trust holds only long equity security positions where the maximum loss of capital is limited to the fair value of those 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 the Trust's prospectus.

The Trust uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

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10. Financial risk management (continued)

10.1 Financial risk factors (continued)

10.1.1 Market risk

(a) Price risk

The Trust is exposed to equity securities price risk. This arises from investments held by the Trust 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 Trust manages price risk through operating a portfolio of securities that is diversified geographically and by industry.

To further mitigate price risk the Trust's investment policy imposes the following criteria on investment selection:
- the maximum exposure to any security listed on a recognised exchange is limited to 2.5% of the Net Asset Value of the Trust;
- the total value of shares (including all forms of equity) in companies not listed on the primary stock exchange in any country is restricted to a exposure of 10% of the Net Asset Value of the Trust with each individual position capped at 2.5% of the Net Asset Value of the Trust;
- the Trust will not utilise leverage;
- the Trust will not utilise derivatives (other than forward foreign exchange contracts for hedging purposes).

The table below summarises the sensitivity of the Trust's net assets attributable to Unitholders to equity price movements, including the effect of movements in foreign currency exchange rates on equity prices, as at 31 March. If the prices of equity securities in which the Trust invest in 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:

	31 March 2010	31 March 2009
	$	$
5% increase in equity prices	**41,783**	10,324
5% decrease in equity prices	**(41,783)**	(10,324)

(b) Foreign exchange risk

The Trust operates internationally and holds both monetary and non-monetary assets denominated in currencies other than New Zealand dollars, the functional currency. Foreign currency risk, as defined in NZ 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. NZ 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. 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 NZ IFRS 7.

The Trust 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 Trust 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 Trust, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities.

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10. Financial risk management (continued)

10.1 Financial risk factors (continued)

10.1.1 Market risk (continued)

(b) Foreign exchange risk (continued)

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

	31 March 2010		31 March 2009	
	Monetary assets	Non-monetary assets	Monetary assets	Non-monetary assets
	$	$	$	$
Australian Dollar (AUD)	-	134,910	-	31,315
Swiss Franc (CHF)	-	29,380	-	7,885
Euro (EUR)	-	97,641	-	8,100
United Kingdom Pound (GBP)	-	54,206	-	7,308
Hong Kong Dollar (HKD)	-	15,900	-	8,763
Japanese Yen (JPY)	-	43,922	-	6,453
Sweden Krone (SEK)	-	7,761	-	6,326
United States of America Dollar (USD)	-	228,552	-	53,464

At 31 March 2010, 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:

	31 March 2010		31 March 2009	
	Monetary assets	Non-monetary assets	Monetary assets	Non-monetary assets
	$	$	$	$
Exchange rates increased by 5%	-	(29,156)	-	(6,172)
Exchange rates decreased by 5%	-	32,225	-	6,822

(c) 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 Trust may hold cash and cash equivalents in New Zealand dollars that expose the Trust to cash flow interest rate risk.

	31 March 2010	31 March 2009
	$	$
Cash and cash equivalents, margin deposits and foreign cash deposits		
At call	384,524	376,015
Interest rate % per annum	2.75%	3.65%

At 31 March 2010, had the interest rate increased or decreased by 1% with all other variables held constant, the impact on the Statement of Comprehensive Income and Net Assets Attributable to Unitholders by the end of the following 12 month period would have been a increase or decrease of approximately $3,845 (31 March 2009: $3,760).

10.1.2 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 Trust. The Trust is primarily exposed to credit risk through its 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 Trust has no significant concentration of credit risk.

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10. Financial risk management (continued)

10.1.3 Liquidity risk

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

The Trust is 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 Trust may periodically invest in derivative contracts traded over the counter for the purposes of hedging foreign exchange exposure. The Trust anticipates trading only major currencies for maturities up to one year forward. The foreign exchange market for these currencies and maturities is considered to be highly liquid.

The table below analyses the Trust's financial liabilities and net settled derivative 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 excluding gross settled derivatives.

	31 March 2010	31 March 2009
	$	$
Due to brokers		
Less than 7 days	-	5,571
Related party payables		
7 days to 1 month	**2,258**	565
Other payables		
7 days to 1 month	**258**	311
1-12 months	**5,415**	-
	5,673	311

10.2 Capital risk management

The Trust's capital is represented by Net assets attributable to Unitholders. The Trust's objectives when managing capital are to provide returns for Unitholders through both capital growth and income. The Trust does this by investing in a diversified portfolio of equities listed on exchanges in New Zealand, Australia, the United States of America, Asia and Europe. Investment decisions are guided by the mandate included in the investment statement and prospectus.

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

The Trust 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.

Expected cash outflow cannot be reliably estimated given the Trust does not have sufficient historical redemption rates to predict the expected outflow profile.

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10. Financial risk management (continued)

10.3 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. 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 fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for non-standardised financial instruments such as over the counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, options 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.

For instruments for which there is no active market, the Trust may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

The Trust adopted the amendment to NZ IFRS 7, effective 1 April 2009. This requires the Trust 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 Trust's financial assets (by class) measured at fair value at 31 March 2010:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets designated at fair value through profit or loss at inception:				
Listed equities	751,278	-	-	751,278
Unlisted/OTC equities	-	84,374	-	84,374
Total financial assets designated at fair value through profit or loss at inception	**751,278**	**84,374**	**-**	**835,652**

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

The valuation of the Trusts' holdings of listed equity securities are based on quoted market prices in active markets, and therefore classified within level 1. The Trust does not adjust the quoted price for these instruments.

The Trust's holdings of unlisted equity securities 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.

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11. Events occurring after the balance sheet date

The following redemption requests have been received from investors in the period from the balance sheet date to the signing date of the Financial Statements.

	Units
July 2010	**61,184**

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

KPMG

Audit report

To the Unitholders of Elevation Capital Value Fund

We have audited the financial statements on pages 3 to 19. The financial statements provide information about the past financial performance of the Elevation Capital Value Fund (the "Trust") and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 7 to 10.

Manager's responsibilities

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

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and report 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;
- whether the accounting policies are appropriate to the Trust'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.

Our firm has also provided other services to the Trust in relation to taxation and other audit related services. Subject to certain restrictions, Partners and employees of our firm may also deal with the Trust on normal terms within the ordinary course of trading activities of the business of the Trust. These matters have not impaired our independence as auditors of the Trust. The firm has no other relationship with, or interest in, the Trust.

Unqualified opinion

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

In our opinion:

- proper accounting records have been kept by the Trust as far as appears from our examination of those records;

- the financial statements on pages 3 to 19:

  - comply with New Zealand generally accepted accounting practice;

  - give a true and fair view of the financial position of the Trust 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 12 August 2010 and our unqualified opinion is expressed as at that date.

KPMG

Auckland

Guardian Trust
THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED

25 August 2010

Elevation Capital Management Limited
Multi Strategy Fund and Value Fund Investors,

We can confirm that the Trustee holds the assets of the Multi Strategy Fund and the Value Fund in the name of The New Zealand Guardian Trust Company Limited through its Nominee Custodial Services Limited. We can confirm Custodial Services Limited is independent of Elevation Capital Management Limited.

Signed for and on behalf of the Trustee

Yours faithfully

Simon Sherpa
Relationship Manager

Letter to investors assets held in the name of NZGT - Aug 2010.doc

Corporate Trusts

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