iShares Treasury ETF

ARSN 154 626 865

ANNUAL FINANCIAL REPORT

30 June 2018

BlackRock Investment Management (Australia) Limited
13 006 165 975
Australian Financial Services Licence No 230523

iShares Treasury ETF

ARSN 154 626 865

Annual Financial Report - 30 June 2018

Contents

Directors' Report

The directors of BlackRock Investment Management (Australia) Limited (ABN 13 006 165 975) (the “Responsible Entity”), the Responsible Entity of iShares Treasury ETF (the “Fund”), present their annual report together with the financial statements of the Fund, for the year ended 30 June 2018 and the auditor's report thereon.

Fund Objectives

The Fund aims to provide investors with the performance of an index, before fees and expenses, composed of fixed income bonds issued by the Australian Treasury.

Principal Activities

The Fund invested in accordance with the provisions of the Fund's Constitution.

The Fund is currently listed on the Australian Securities Exchange (ASX). The admission date was 14 March 2012.

The Fund did not have any employees during the year ended 30 June 2018 (30 June 2017: Nil).

There were no significant changes in the nature of the Fund's activities during the year ended 30 June 2018 (30 June 2017: Nil).

Directors

The following persons held office as directors of the Responsible Entity during the year or since the end of the year and up to the date of this report:

Director	**Date appointed**
M S McCorry	Appointed 2 December 2009
A Telfer	Appointed 12 December 2013
S Flatman	Appointed 28 January 2015
J Collins	Appointed 29 July 2015
D Rohe	Appointed 27 July 2016

Review and Results of Operations

During the year, the Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2018	30 June 2017
	$'000	$'000
Profit/(loss) before finance costs attributable to unitholders	**772**	(317)
Distributions paid and payable	**702**	475

Directors' Report (continued)

Review and Results of Operations (continued)

Returns

The table below demonstrates the performance of the Fund as represented by the total return.

	Returns*		
	1 Year	3 Year	5 Year
	% p.a.	% p.a.	% p.a.
iShares Treasury ETF returns	**2.71**	3.01	3.86

* Returns (after fees) are calculated on the assumption that all distributions are reinvested in the Fund, and include the effect of compounding.

Reconciliation of Net Asset Value for Unit Pricing Purposes to Financial Reporting Purposes

The key differences between net assets for unit pricing purposes and net assets attributed to unitholders as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	As at	
	30 June 2018	30 June 2017
	$'000	$'000
Net Assets for Unit Pricing Purposes	**30,839**	29,764
Timing Differences		
Other	**3**	-
Net assets attributable to unitholders as at 30 June	**30,842**	29,764

Significant Changes in State of Affairs

Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer to Note 2 for further details.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year under review.

Matters Subsequent to the End of the Financial Year

The Fund announced on 4 July 2018 a final distribution 61.72 cents per unit, which equates to $183,676. The final distribution ex-date was 2 July 2018 and payment was on 12 July 2018.

Except as disclosed in the financial statements, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

(i) the operations of the Fund in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Fund in future financial years.

Directors' Report (continued)

Likely Developments and Expected Results of Operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Indemnification and Insurance of Officers and Auditor

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditor of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Law, officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Fees Paid and Interests Held in the Fund by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 10 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year (2017: Nil). Pursuant to ASIC Corporations (Registered Schemes - Differential Fees) Instrument 2017/40, the Responsible Entity may individually negotiate fees with certain sophisticated or professional investors.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are also disclosed in Note 10 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 6 of the financial statements.

Value of Assets

The value of the Fund's assets and liabilities is disclosed on the Statement of Financial Position and derived using the basis set out in Note 2 of the financial statements.

Environmental Regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under either Commonwealth, State or Territory law.

Rounding of Amounts

The Fund is a registered scheme of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and the financial statements have been rounded to the nearest thousand in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

Additional Disclosure

The Fund has applied the relief available in ASIC Corporations (Directors' Report Relief) Instrument 2016/188 issued by the Australian Securities and Investments Commission in the preparation of this report. Accordingly, the additional information otherwise required to be included in the directors' report has been disclosed in Notes 5, 6 and 10 of the financial statements.

Directors' Report (continued)

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

The financial statements were authorised for issue by the directors on 19 September 2018.

This report is made in accordance with a resolution of the directors.

Director
S Flatman

Sydney
19 September 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

19 September 2018

The Board of Directors
BlackRock Investment Management (Australia) Limited
Level 26, 101 Collins Street
Melbourne, VIC 3000

Dear Directors

iShares Treasury ETF

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of BlackRock Investment Management (Australia) Limited as Responsible Entity of iShares Treasury ETF (the "Fund").

As lead audit partner for the audit of the financial statements of the Fund for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 30 June 2018 $'000	30 June 2017 $'000
Investment income			
Interest income		**1**	1
Net gains/(losses) on financial instruments held at fair value through profit or loss (including FX gains/(losses))	4	**847**	(243)
Total net investment income/(loss)		**848**	(242)
Expenses			
Management fees	10	**72**	74
Custody movement fees		**3**	-
Other expenses		**1**	1
Total operating expenses		**76**	75
Profit/(loss) before finance costs attributable to unitholders		**772**	(317)
Finance costs attributable to unitholders			
Distributions to unitholders	5	**-**	(475)
(Increase)/decrease in net assets attributable to unitholders	6	**-**	792
Profit/(loss) for the year		**772**	-
Other comprehensive income		**-**	-
Total comprehensive income for the year		**772**	-

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

	Notes	As at 30 June 2018 $'000	30 June 2017 $'000
Assets			
Cash and cash equivalents	12(b)	**105**	71
Financial assets held at fair value through profit or loss	7	**30,586**	29,408
Receivables	8	**376**	879
Total assets		**31,067**	30,358
Liabilities			
Payables	9	**225**	594
Total liabilities (excluding net assets attributable to unitholders)		**225**	594
Net assets attributable to unitholders - liability*	6	**-**	29,764
Net assets attributable to unitholders - equity*	6	**30,842**	-

* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 2 for further details.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Notes	Year ended 30 June 2018 $'000	30 June 2017 $'000
Total equity at the beginning of the financial year		**-**	-
Reclassification due to AMIT tax regime implementation*		**29,764**	-
Comprehensive income for the year			
Profit/(loss) for the year		**772**	-
Other comprehensive income		**-**	-
Total comprehensive income for the year		**772**	-
Transactions with unitholders			
Creations		**9,214**	-
Redemptions		**(8,217)**	-
Units issued upon reinvestment of distributions		**11**	-
Distributions paid and payable	5	**(702)**	-
Total transactions with unitholders		**306**	-
Total equity at the end of the financial year		**30,842**	-

* Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer to Note 2 for further details. As a result, equity transactions, including distributions have been disclosed in the above statement for the year ended 30 June 2018.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	Notes	Year ended 30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**11,964**	4,319
Purchase of financial instruments held at fair value through profit or loss		**(13,139)**	(9,902)
Interest received		**978**	1,070
Other income received		**1**	-
Management fees paid		**(73)**	(72)
Operating expenses paid		**(3)**	(1)
Net cash inflow/(outflow) from operating activities	12(a)	**(272)**	(4,586)
Cash flows from financing activities			
Proceeds from creations by unitholders		**9,214**	5,282
Payments for redemptions by unitholders		**(8,217)**	-
Distributions paid		**(691)**	(663)
Net cash inflow/(outflow) from financing activities		**306**	4,619
Net increase/(decrease) in cash and cash equivalents		**34**	33
Cash and cash equivalents at the beginning of the year		**71**	38
Cash and cash equivalents at the end of the year	12(b)	**105**	71
Non-cash financing activities	12(c)	**11**	17

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

1 General Information

These financial statements cover iShares Treasury ETF (the “Fund”) as an individual entity. The Fund was constituted on 26 August 2010. The Fund will terminate on the eightieth anniversary of the day the Fund commenced, unless terminated in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is BlackRock Investment Management (Australia) Limited (the “Responsible Entity”). The Responsible Entity's registered office is Level 26, 101 Collins Street, Melbourne, VIC 3000.

The financial statements were authorised for issue by the directors on 19 September 2018. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in the Australian currency.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Statement of Compliance and Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of historical costs, except for financial assets and financial liabilities held at fair value through profit or loss, that are measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Fund

Reclassification of units from financial liability to equity

On 5 May 2016, a new tax regime applying to Managed Investment Trusts (“MITs”) was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust (“AMIT”) regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund’s Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently, the units in the Fund have been reclassified from a financial liability to equity on 1 July 2017, see Note 6 for further information.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that would be expected to have a material impact on the Fund.

(b) Financial Instruments

(i) Classification

The Fund's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

  Derivative financial instruments such as futures, forward foreign exchange contracts, options and swaps are included under this classification. The Fund does not designate any derivatives as hedges in a hedging relationship.

2 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

(i) Classification (continued)

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

  These include financial assets that are not held for trading purposes and which may be sold. These are investments in listed equities, listed unit trusts, unlisted unit trusts, interest bearing securities and money market securities.

  Financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

  Short sales are classified as financial liabilities at fair value through profit or loss. Short sales are where borrowed securities are sold in anticipation of a decline in the market value of those securities and are made or may be used for various arbitrage transactions.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

- Fair value in an active market

  The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting date without any deduction for estimated future selling costs. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded market 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. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

  Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in the Statement of Profit or Loss and Other Comprehensive Income to reflect a change in factors, including time, that market participants would consider in setting a price.

  Investments in other unlisted unit trusts are recorded at the net asset value per unit as reported by the Responsible Entity of such funds.

(c) Offsetting Financial Instruments

Financial assets and liabilities are reported on a gross basis in the Statement of Financial Position. Where 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 on default or in the ordinary course of business, the financial assets and liabilities will be offset and reported on a net basis in notes to the financial statements.

2 Summary of Significant Accounting Policies (continued)

(d) Net Assets Attributable to Unitholders

Units are redeemable at the unitholders' option, however, creations and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation:*

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2017, net assets attributable to unitholders are classified as a financial liability. Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts and cash will be netted off on the Statement of Financial Position if both are present.

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 represent the Fund's main income generating activity.

(f) Margin Accounts

Margin accounts comprise of cash held for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls. Unrestricted margin account balances and restricted margin accounts balances, where the derivative transactions' original maturities are within three months, are classified as cash and cash equivalents. Restricted margin accounts where the derivative transactions' original maturities are not within three months are classified as cash held on collateral.

(g) Investment Income and Expenses

Interest income and expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income for all interest bearing securities using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows, considering all contractual terms of the financial instrument (for example, prepayment options), but do not consider future credit losses.

The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2 Summary of Significant Accounting Policies (continued)

(g) Investment Income and Expenses (continued)

Dividend income is recognised on the ex-dividend date. The Fund may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statement of Profit or Loss and Other Comprehensive Income. If a portion of the foreign withholding taxes is reclaimable, it is recorded as an asset.

Trust distributions are recognised on an entitlements basis.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

(h) Expenses

All expenses, including Management fees and Performance fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

(i) Income Tax

Under current legislation, the Fund is not subject to income tax provided the taxable income of the Fund is attributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

(j) Distributions to Unitholders

In accordance with the Fund's Constitution, the Fund attributes its taxable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. Distributions are recognised in the Statement of Changes in Equity as distributions paid and payable.

(k) Increase/Decrease in Net Assets Attributable to Unitholders

Movements in net assets attributable to unitholders are recognised in the Statement of Changes in Equity for the current year ended 30 June 2018.

(l) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the “functional currency”). This is the Australian Dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian Dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2 Summary of Significant Accounting Policies (continued)

(m) Receivables

Receivables may include amounts for dividends, interest, trust distributions, amounts due from brokers and creations receivable. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of the reporting date from the time of the last payment using the effective interest rate method. Amounts due from brokers represent receivables for securities that have been contracted for but not yet delivered by the end of the reporting date. Creations receivable are recorded when the creations are made for units in the Fund with the consideration yet to be received as at the end of the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

(n) Payables

Payables include liabilities and accrued expenses owing by the Fund and redemptions payable which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at reporting date are included in payables. Redemptions payable are recognised when the unitholder returns their holdings back into the Fund foregoing all rights associated with the units, with the payment yet to be released.

The distribution amount payable to unitholders as at reporting date is recognised separately on the Statement of Financial Position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(o) Creations and Redemptions

Creations received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets for unit pricing purposes of the Fund, divided by the number of units on issue at or immediately prior to close of business each day. Creations and redemptions of units are processed simultaneously.

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) hence, investment management fees, custodial fees and other expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable and accrued expenses are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

2 Summary of Significant Accounting Policies (continued)

(q) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is effective for annual reporting periods beginning on or after 1 January 2018 with earlier adoption permitted.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting.

The Fund will adopt AASB 9 from 1 July 2018. Management does not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss.

(ii) AASB 15 *Revenue from Contracts with Customers (effective from 1 January 2018)*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(r) Use of Estimates and Critical Accounting Judgments

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates 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 Fund'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. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

(s) Rounding of Amounts

The Fund is a registered scheme of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

2 Summary of Significant Accounting Policies (continued)

(t) Cash Held on Collateral

Cash held on collateral includes restricted margin accounts where the derivative transactions' original maturities are not within three months as well as restricted cash for short sales. Short positions are taken on securities which have relatively poor return expectations. To facilitate settlement, securities are borrowed with collateral requirements. These requirements are satisfied with cash and/or other securities. Cash used to satisfy collateral requirements is disclosed as cash held on collateral on the Statement of Financial Position.

3 Financial Risk Management

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including price risk, currency risk and interest rate risk). The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statements and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund may use derivative financial instruments to moderate and create certain risk exposures. Financial risk management is carried out by the Investment Risk Management Working Group (IRMWG) under policies approved by the Board of Directors of the Responsible Entity (the "Board").

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include Value at Risk ("VaR") analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk. VaR analysis is explained in Note 3(b).

(a) Market Risk

(i) Price Risk

The Fund is exposed to price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified in the Statement of Financial Position as fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian Dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Note 3(a)(ii) below sets out how this component of price risk is managed and measured. All securities investments present a risk of loss of capital. Except for equities sold short and derivative instruments, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

Market risk is managed and monitored by the Responsible Entity on a portfolio basis, with risks managed through ensuring that investment activities are undertaken in accordance with the Fund's investment model which is reviewed and updated regularly.

The Responsible Entity continuously monitors the Fund's holdings relative to the recommended portfolio, and the exposure of the Fund is monitored to ensure that it remains within designated ranges or asset allocation constraints, taking into account any derivative position being used to manage risks.

In addition, the IRMWG regularly reviews the Fund to ensure the Fund is following the appropriate investment model, its portfolio is in accordance with its stated guidelines and restrictions, and the performance of the Fund remains in expected bounds.

The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

(ii) Foreign Exchange Risk

The direct investments held by the Fund do not have any direct exposure to foreign exchange risk. This disclosure has not been made on a look through basis for investments held indirectly through underlying investments. The disclosure of foreign exchange risk may not present the true foreign exchange risk profile of the Fund where the underlying investments have significant exposure to foreign exchange risk.

The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

(iii) Interest Rate Risk

The Fund's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

3 Financial Risk Management (continued)

(a) Market Risk (continued)

(iii) Interest Rate Risk (continued)

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

Interest rate risk is mitigated through ensuring activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

The disclosure for the Fund has not been made on a look through basis for investments held indirectly through the underlying fund. The disclosure of interest rate risk may not present the true interest rate risk profile of the Fund where the underlying fund has significant exposure to interest rate risk.

The following tables summarise the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values.

30 June 2018	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and cash equivalents	**105**	**-**	**-**	**105**
Financial assets designated at fair value through profit or loss				
Interest bearing securities	**-**	**30,586**	**-**	**30,586**
Receivables	**-**	**-**	**376**	**376**
Total assets	**105**	**30,586**	**376**	**31,067**
Financial liabilities				
Payables	**-**	**-**	**225**	**225**
Total liabilities	**-**	**-**	**225**	**225**
Net assets attributable to unitholders	**-**	**-**	**30,842**	**30,842**

30 June 2017	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	71	-	-	71
Financial assets designated at fair value through profit or loss				
Interest bearing securities	-	29,408	-	29,408
Receivables	-	-	879	879
Total assets	71	29,408	879	30,358
Financial liabilities				
Payables	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)	-	-	594	594
Net assets attributable to unitholders - liability	-	-	29,764	29,764

3 Financial Risk Management (continued)

(b) Summarised VaR Analysis

Value at Risk (VaR) is a risk model used to estimate the potential losses that could occur on the Fund's net asset value position due to movements in interest rates, currency and market prices over a given period and for a specified degree of confidence.

The Responsible Entity uses VaR analysis and/or tracking error estimates to measure and manage risk as these are commonly used and understood models, are easily interpreted and are consistent across different types, asset classes and types of funds. For the purpose of these accounts VaR analysis has been presented. The objective in all cases is to estimate potential losses and manage the downside risk.

The following table summarises the outputs of the VaR model in relation to interest rate, currency and price risk exposures. The total VaR figures are not the sum of individual risk components as this does not include correlations between different risk factors.

The Responsible Entity calculates the VaR relative to the Fund's total value. The analysis implies that the Manager can be 95% confident that the value of the portfolio will not decrease by any more than the figures in the table below over the 5 day period from 30 June.

	2018		2017	
	$'000^	**%**	$'000^	%
Total Portfolio Risk	**237**	**0.77**	271	0.91

^VaR has been calculated on Net Assets Attributable to Unitholders before rounding.

Detailed information about the models

There are a number of different VaR models used within the Funds Management industry. The Responsible Entity uses one or more of ex-ante and ex-post estimates of portfolio risk and the Monte Carlo simulation model depending on the fund type. Models are calculated using historical data and a covariance matrix where applicable.

The models used by the Responsible Entity have the following features:

- VaR is calculated to a 95 per cent confidence level. VaR at a confidence level identifies the maximum expected loss under that confidence level;
- VaR is calculated for a 5 day holding period. The time horizon of five days is selected to coincide with the period used to analyse the portfolio positions. The risk data is examined in various daily, weekly and monthly forums; and
- The portfolio VaR is not the simple sum of individual asset stand alone VaRs; the correlations among assets in the portfolio are considered.

Although VaR is a valuable risk management tool it should be interpreted, as with all predictive models, with consideration to its assumptions and limitations. The main assumptions and limitations are listed below:

- Some models assume certain financial variables are normally distributed: The normality assumption allows the Responsible Entity to scale portfolio risk estimates to the appropriate confidence levels. The normality assumption is derived from statistical analysis for examining sample populations of observations and the implications of not assuming normality would preclude the use of most statistical tools including mainstream commercial models for risk measurement.
- The use of historical returns and correlations between assets would not take into account future potential events: It is a commonly stated and well recognised limitation that past performance is not a reliable indicator of future performance.
- Model risk, in general terms, is a known limitation that includes: the quality or accuracy of the underlying data, where significant events occur within the data, the changing sensitivity of the Fund's assets to external market factors over time, and appreciating that using only one model may be limiting in itself to obtaining the best understanding of a Fund's risk position.

The Responsible Entity acknowledges these limitations and thus compares ex-ante and ex-post risk estimates to review expectations versus actual outcomes. Should ex-post values differ significantly from ex-ante returns, an assessment of the reasons for this will be made.

3 Financial Risk Management (continued)

(b) Summarised VaR Analysis (continued)

Detailed information about the models (continued)

The Fund's risk is managed with constant review of both performance and risk numbers by the investment professionals within the business. These reviews consist of:

- Weekly meetings between the global members of Risk & Quantitative Analysis (RQA). These meetings include RQA Australia.
- Monthly meetings between RQA and the Fund Managers.
- Monthly meetings between RQA and the Chief Investment Officer.
- Ad hoc presentations to the Investment Risk Management Working Group (IRMWG) to keep IRMWG abreast of RQA processes and latest updates.
- Daily report of performance figures along with a comparison of ex-ante versus ex-post returns sent to RQA London.
- RQA professionals sitting and working closely with the Fund Managers every day.

(c) Credit Risk Exposure

Credit risk is the risk that the counterparty will fail to perform contractual obligations, either in whole or in part, when they fall due.

Credit risk primarily arises from the Fund's investment in debt instruments and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, amounts due from brokers and other receivables. None of these assets are impaired nor past due but not impaired.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market.

(i) Interest Bearing Securities

The Fund invests in interest bearing securities which have credit ratings as rated by well-known rating agencies. For unrated interest bearing securities a rating is assigned by the Responsible Entity using an approach that is consistent with the approach used by rating agencies.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. None of the financial assets are impaired nor past due but not impaired. An analysis of the directly held interest bearing securities by rating is set out in the table below:

Rating	**30 June 2018 % Portfolio**	30 June 2017 % Portfolio
AAA	**100.00**	100.00
Total	**100.00**	100.00

(ii) Derivatives

All exchange traded derivatives are executed through brokers, and cleared through a clearing broker and approved by the IRMWG. Over the counter derivative transactions are conducted only with approved counterparties, who meet the applicable specific Fund requirements and where trading documentation is in place.

To minimise credit risk, the Fund only transacts with counterparties of investment grade quality (BBB- or above as rated by Standard & Poor’s). The Responsible Entity has a process in place to assess the creditworthiness of counterparties and assess that the risk is evenly distributed. Matters arising in relation to counterparties are reviewed regularly by the RQA.

3 Financial Risk Management (continued)

(c) Credit Risk Exposure (continued)

(iii) Settlement of Securities Transactions

All transactions are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

(iv) Other Credit Risk

The exposure to credit risk for cash and cash equivalents, deposits with banks and other financial institutions is considered to be minimal due to the high credit rating of the relevant financial institution. VaR analysis is also used to manage and measure the credit risk of the Fund.

The Fund is not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and other financial assets. None of these assets are impaired nor past due but not impaired.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely JP Morgan Chase Bank NA (“J.P. Morgan”). J.P. Morgan is a member of a major securities exchange, and at 30 June 2018 had a credit rating of A-1 (30 June 2017: A-1). At 30 June 2018, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by J.P. Morgan.

(d) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Fund 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 Statement of Financial Position is presented on a liquidity basis and discussed in Note 2(a).

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining adequate liquidity to satisfy usual redemption volumes and restricting the investment activities of the Fund to securities that are actively traded and highly liquid. The Fund also maintains continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Responsible Entity considers and maintains the liquidity of the Fund, in the context of the investment objectives and liquidity requirements of the Fund. Operational procedures are in place to review margin requirements on futures contracts. IRMWG reviews liquidity reports to ensure the Fund has sufficient liquidity to pay client redemptions and meet margin calls as required.

The following tables analyse the Fund's financial liabilities and derivative financial instruments (as appropriate) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the tables are contractual undiscounted cash flows.

At 30 June 2018	Less than 1 month $'000	1-3 months $'000	3-6 months $'000	6-12 months $'000	1-3 years $'000	3+ years $'000	Total $'000
Liabilities							
Payables	(218)	(7)	-	-	-	-	(225)
Total liabilities	**(218)**	**(7)**	**-**	**-**	**-**	**-**	**(225)**

3 Financial Risk Management (continued)

(d) Liquidity and Cash Flow Risk (continued)

At 30 June 2017	Less than 1 month $'000	1-3 months $'000	3-6 months $'000	6-12 months $'000	1-3 years $'000	3+ years $'000	Total $'000
Liabilities							
Payables	(587)	(7)	-	-	-	-	(594)
Net assets attributable to unitholders	(29,764)	-	-	-	-	-	(29,764)
Total liabilities	(30,351)	(7)	-	-	-	-	(30,358)

(e) Fair Values of Financial Assets and Liabilities

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their last traded prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2(b). For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded market price. Where the last traded price does not fall within the bid-ask spread, an assessment is performed by the Responsible Entity to determine the appropriate valuation price to use that is most representative of fair value.

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

(ii) 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. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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

3 Financial Risk Management (continued)

(e) Fair Values of Financial Assets and Liabilities (continued)

(ii) Fair value in an inactive or unquoted market (continued)

Investments in other unlisted unit trusts are recorded at the net asset value per unit as reported by the Responsible Entity of such funds.

(f) Fair Value Hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity 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 level 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. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables present the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2018 and 30 June 2017.

As at 30 June 2018	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets designated at fair value through profit or loss:				
Interest bearing securities	-	30,586	-	30,586
Total	**-**	**30,586**	**-**	**30,586**

As at 30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Interest bearing securities	-	29,408	-	29,408
Total	-	29,408	-	29,408

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, trusts, exchange traded derivatives and money market securities.

3 Financial Risk Management (continued)

(f) Fair Value Hierarchy (continued)

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment grade corporate bonds, certain listed equities, certain unlisted unit trusts, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified as level 2 are debt instruments. The fair value of debt instruments is derived from industry standard valuation models with published or observable market data.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

The Fund's assets and liabilities not measured at fair value on a recurring basis (but fair value disclosures are required) at 30 June 2018 and 30 June 2017 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the end of the reporting date.

The Fund did not hold any level 3 instruments during the year ended 30 June 2018 (30 June 2017: Nil).

There were no transfers between levels for recurring fair value measurements during the year ended 30 June 2018 (30 June 2017: Nil).

(g) Offsetting Financial Assets and Financial Liabilities

Financial assets and liabilities are reported on a gross basis in the Statement of Financial Position. The Fund did not hold any derivative instruments during the year ended 30 June 2018 (30 June 2017: Nil).

4 Net Gains/(Losses) on Financial Instruments Held at Fair Value Through Profit or Loss

The net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Year ended	
	30 June 2018	30 June 2017
	$'000	$'000
Financial assets and liabilities		
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss (including FX gains/(losses))	**847**	(243)
Net gains/(losses) on financial instruments held at fair value through profit or loss (including FX gains/(losses))	**847**	(243)

5 Distributions to Unitholders

The distributions during the year were as follows:

	Year ended			
	30 June 2018		30 June 2017	
	$'000	**CPU**	$'000	CPU
Distributions paid - Quarter 4*	**300**	**104.39**	-	-
Distributions paid - Quarter 1	**172**	**59.67**	153	59.53
Distributions paid - Quarter 2	**105**	**50.63**	158	54.96
Distributions paid - Quarter 3	**125**	**50.41**	164	57.01
	702		475	

* Relates to 30 June 2017 distribution which had an ex-date of 3 July 2017.

6 Net Assets Attributable to Unitholders

Under AASB 132 Financial instruments: Presentation, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017 the Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. On 1 July 2017, the Fund has elected into the AMIT tax regime. The Fund's Constitution has been amended on the same date and it no longer has a contractual obligation to pay distributions to unitholders.

The Fund meets the criteria set out under AASB 132 and net assets attributable to unitholders is classified as equity from 1 July 2017 onwards. As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions are no longer classified as finance cost in the Statement of Profit or Loss and Other Comprehensive Income, but rather as distributions paid in the Statement of Changes in Equity.

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as other units of the Fund. Units are created and redeemed at the unitholders' option at prices based on the value of the Fund's net assets at the time of creation/redemption less transaction costs.

Movement in number of units and net assets attributable to unitholders during the year were as follows:

	30 June 2018	30 June 2017	**30 June 2018**	30 June 2017
	No. '000	No.'000	**$ '000**	$'000
Opening balance*	**287**	237	**29,764**	25,257
Profit/(loss) for the year	**-**	-	**772**	-
Creations	**91**	50	**9,214**	5,282
Redemptions	**(80)**	-	**(8,217)**	-
Units issued upon reinvestment of distributions	**-**	-	**11**	17
Distributions paid and payable	**-**	-	**(702)**	-
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**-**	(792)
Closing balance	**298**	287	**30,842**	29,764

* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 2 for further details.

6 Net Assets Attributable to Unitholders (continued)

Capital Risk Management

The Fund manages its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily creations and redemptions at the discretion of unitholders.

The Fund monitors the level of daily creations and redemptions relative to the liquid assets in the Fund. As of 30 June 2018 the capital of the Fund is represented in the net assets attributable to unitholders table.

In the event of a significant redemption, the Fund's Constitution allows the delay of payment beyond the usual redemption timeframe but no later than the maximum number of days specified in the Constitution for satisfying redemption requests. Further, in certain circumstances such as disrupted markets, the Constitution allows payment to be delayed beyond the maximum number of days.

7 Financial Assets Held at Fair Value Through Profit or Loss

	As at	
	30 June 2018	30 June 2017
	Fair value	Fair value
	$'000	$'000
Designated at fair value through profit or loss		
Interest bearing securities	**30,586**	29,408
Total designated at fair value through profit or loss	**30,586**	29,408
Total financial assets held at fair value through profit or loss	**30,586**	29,408

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in Note 3.

8 Receivables

	As at	
	30 June 2018	30 June 2017
	$'000	$'000
Settlements receivable	**375**	877
Other receivables	**1**	2
Total	**376**	879

There are no past due (not impaired) or allowance for doubtful debts included in the above receivables as at 30 June 2018 (30 June 2017: Nil).

9 Payables

	As at	
	30 June 2018	30 June 2017
	$'000	$'000
Settlements payable	**211**	580
Management fees payable	**13**	14
Other payables	**1**	-
Total	**225**	594

10 Related Party Transactions

Responsible Entity

The Responsible Entity of the iShares Treasury ETF is BlackRock Investment Management (Australia) Limited (ABN 13 006 165 975, AFSL 230523) whose ultimate holding company is BlackRock, Inc.

BlackRock Investment Management (Australia) Limited is incorporated in Australia and BlackRock, Inc. is incorporated in the United States of America.

Key management personnel

Directors

Key management personnel include persons who were directors of the Responsible Entity at any time during the financial year as follows:

Director	Date appointed
M S McCorry	Appointed 2 December 2009
A Telfer	Appointed 12 December 2013
S Flatman	Appointed 28 January 2015
J Collins	Appointed 29 July 2015
D Rohe	Appointed 27 July 2016

Other key management personnel

No other person had authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year (30 June 2017: Nil).

Key management personnel unitholdings

At 30 June 2018 no key management personnel held units in the Fund (30 June 2017: Nil).

Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Responsible Entity's fees and other transactions

In accordance with the Fund's Constitution, the Responsible Entity was entitled to receive fees for the provision of services to the Fund.

	Management fees
At 30 June 2018	**$**
iShares Treasury ETF	**71,819**

10 Related Party Transactions (continued)

Responsible Entity's fees and other transactions (continued)

At 30 June 2017	Management fees $
iShares Treasury ETF	74,060

Investments

The Fund did not hold any investments in schemes also managed by the Responsible Entity or its related parties during the reporting year (30 June 2017: Nil).

Related party schemes' unit holdings

The Responsible Entity and its related parties did not hold any units in the Fund as at 30 June 2018 (30 June 2017: Nil).

Other transactions with the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving key management personnel's interests subsisting at year end.

11 Remuneration of Auditor

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	30 June 2018 $	30 June 2017 $
Deloitte Touche Tohmatsu		
Audit and review of the financial statements	**10,991**	10,991
Other services	**1,264**	1,264
Total	**12,255**	12,255

Other services relate to the audit of the Fund's compliance plan. The audit fees paid or payable are discharged by the Responsible Entity from the fees earned from the Fund.

12 Reconciliation of Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	Year ended	
	30 June 2018	30 June 2017
	$'000	$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	**772**	(317)
Net (gains)/losses on financial instruments held at fair value through profit or loss (including FX (gains)/losses)	**(847)**	243
Proceeds from sale of financial instruments held at fair value through profit or loss	**11,964**	4,319
Purchases of financial instruments held at fair value through profit or loss	**(13,139)**	(9,902)
Net change in receivables and other assets	**1**	(1)
Net change in accounts payables and accrued liabilities	**-**	3
Interest received from debt securities	**977**	1,069
Net cash inflow/(outflow) from operating activities	**(272)**	(4,586)
(b) Components of cash and cash equivalents		
Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:		
Cash	**105**	71
Total cash and cash equivalents	**105**	71
(c) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**11**	17

The changes in this amount each year (as reported in (c) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes attributable (i.e. taxable).

13 Segment Information

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the Bloomberg AusBond Treasury Index. The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the Bloomberg AusBond Treasury Index. Accordingly, no additional qualitative or quantitative disclosures are required.

14 Events Occurring After the Reporting Period

The Fund announced on 4 July 2018 a final distribution 61.72 cents per unit, which equates to $183,676. The final distribution ex-date was 2 July 2018 and payment was on 12 July 2018.

No other significant events have occurred since the end of the reporting period up to the date of signing the Annual Financial Report which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

15 Contingent Assets, Contingent Liabilities and Commitments

There are no outstanding contingent assets, contingent liabilities or commitments as at 30 June 2018 (30 June 2017: Nil).

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance, as represented by the results of its operations; changes in equity and its cash flows, for the financial year ended on that date;

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

(c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

(d) the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Director

S Flatman

Sydney

19 September 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Unitholders of iShares Treasury ETF

Opinion

We have audited the financial report of iShares Treasury ETF (the "Fund"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Blackrock Investment Management (Australia) Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of financial assets As disclosed in Note 6, financial assets held at fair value through profit or loss represent $30.59 million as at 30 June 2018. Financial assets represent the most significant balance in the Statement of Financial Position is the primary driver of Net Asset Value and investment performance.	Our procedures included, but were not limited to: • Evaluating key controls in place at the administrator in relation to the valuation of financial assets, including any exceptions noted; and • Testing, on a sample basis, the valuation of interest bearing securities by assessing inputs into the valuation models using published or observable market data. We also assessed the appropriateness of the disclosure included in Note 6 the financial statements.

Other Information

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the Directors' Report included in the financial report for the year ended 30 June 2018, but does not include the annual financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants