

29 September 2015

Market Announcements Office
ASX Limited

ANNUAL FINANCIAL REPORT 2015
BETASHARES EURO ETF
ASX CODE: EEU

BetaShares Capital Ltd, the issuer of the Fund, is pleased to provide the Fund's Annual Financial Report for the period ending 30 June 2015.

Further information about the Fund can be obtained at www.betashares.com.au or by contacting BetaShares Client Services on 1300 487 577.

IMPORTANT INFORMATION: This information has been prepared by BetaShares Capital Ltd (ACN 139 566 868 AFS Licence 341181) ("BetaShares") the issuer of the Fund. It is general information only and does not take into account any person's objectives, financial situation or needs. The information does not constitute an offer of, or an invitation to purchase or subscribe for securities. You should read the relevant PDS and ASX announcements and seek professional legal, financial, taxation, and/or other professional advice before making an investment decision regarding any BetaShares Funds. For a copy of the PDS and more information about BetaShares Funds go to www.betashares.com.au or call 1300 487 577.

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BetaShares Euro ETF

ASX Code: EEU

ARSN 151 131 967

Annual Financial Report - 30 June 2015

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Annual Financial Report - 30 June 2015

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Directors' report

The directors of BetaShares Capital Ltd, the responsible entity ("Responsible Entity") of the BetaShares Euro ETF ("the Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2015 and the auditor's report thereon.

Responsible Entity

The Responsible Entity of BetaShares Euro ETF is BetaShares Capital Ltd (ABN 78 139 566 868). At 30 June 2015, the Responsible Entity's registered office and principal place of business was:

Level 9
50 Margaret Street
Sydney NSW 2000

On 6 July 2015, the Responsible Entity changed its registered office and principal place of business to:

Level 11
50 Margaret Street
Sydney NSW 2000

Principal activities

The Fund is an exchange traded fund (ETF) that is traded on the Australian Securities Exchange (ASX) and domiciled in Australia.

The Fund maintains its investment strategy to provide unitholders with a return that aims to track the change in value of the Euro relative to the Australian Dollar, before taking into account fees and expenses. The Fund primarily invests its assets in bank deposit accounts denominated in Euro, allowing investors to gain exposure to the performance of the Euro without the need to invest directly in the foreign exchange market. This is in accordance with the governing documents of the Fund.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

Directors

The following persons held office as were directors of BetaShares Capital Ltd during the financial year or since the end of the financial year and up to the date of this report:

David Nathanson (appointed 21 September 2009)
Alex Vynokur (appointed 21 September 2009)
Howard Atkinson (appointed 2 March 2010, resigned 12 August 2015)
Adam David Baker Felesky (appointed 29 December 2009, resigned 6 May 2015)
Taeyong Lee (appointed 12 August 2015)
Thomas Park (appointed 12 August 2015)

Directors' report (continued)

Review and results of operations

During the year, the Fund continued to invest 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.

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

	Year ended	
	30 June 2015	30 June 2014
	\$	\$
Operating (loss)/profit before finance costs attributable to unitholders	(23,484)	37,862

The Fund made an operating loss of \$23,484 this year, compared to a operating profit of \$37,862 last year. The operating loss was primarily due to net foreign exchange losses associated with movements in the value of the Euro relative to the Australian Dollar over the course of the year.

The Fund's net assets were \$3,775,960 as at 30 June 2015, compared to \$3,799,444 the prior year. This change was primarily due to application/redemption activities, and the operating (loss)/profit referred to above.

The Fund did not make distributions during the year. (2014: Nil)

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2015 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.

Likely developments, risk management 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.

The future returns of the Fund, as measured by the Fund's net asset value per unit plus any distributions, are generally dependent upon the performance of the Euro relative to the Australian Dollar. The Fund's investment objective and strategy remain unchanged, which is to track the performance of the Euro relative to the Australian Dollar, before fees and expenses.

Directors' report (continued)

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the Responsible Entity, directors or the auditor of the Fund. As long as the directors of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the directors remain fully 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 to 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 9 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the financial year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 9 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 3 to the financial statements.

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 to the financial statements.

Environmental regulation

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

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.

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



David Nathanson
Director



Alex Vynokur
Director

Sydney
24 September 2015



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of BetaShares Capital Limited,

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Tanya Gilerman
Partner

Sydney

24 September 2015

BetaShares Euro ETF
Statement of comprehensive income
For the year ended 30 June 2015

Statement of comprehensive income

		Year ended	
		30 June	30 June
	Notes	2015	2014
		\$	\$
Investment income			
Interest income		55	2,154
Net foreign exchange (losses)/gains		<u>(3,417)</u>	<u>65,668</u>
Total net investment income		<u>(3,362)</u>	<u>67,822</u>
Expenses			
Management fees	9	16,894	27,198
Other operating expenses		<u>3,228</u>	<u>2,762</u>
Total operating expenses		<u>20,122</u>	<u>29,960</u>
Operating (loss)/profit for the year before finance costs		<u>(23,484)</u>	<u>37,862</u>
Finance costs attributable to unitholders			
Change in net assets attributable to unitholders (total comprehensive income)	3	<u>(23,484)</u>	<u>37,862</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BetaShares Euro ETF
Statement of financial position
As at 30 June 2015

Statement of financial position

		As at	
		30 June	30 June
		2015	2014
	Notes	\$	\$
Assets			
Cash and cash equivalents	5	3,778,524	3,802,024
Receivables		<u>456</u>	<u>517</u>
Total assets		<u>3,778,980</u>	<u>3,802,541</u>
Liabilities			
Payables		<u>3,020</u>	<u>3,097</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>3,020</u>	<u>3,097</u>
Net assets attributable to unitholders - liability	3	<u>3,775,960</u>	<u>3,799,444</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

The Fund's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Fund has no equity, and no items of changes in equity have been presented for the current or comparative year.

BetaShares Euro ETF
Statement of cash flows
For the year ended 30 June 2015

Statement of cash flows

		Year ended	
		30 June	30 June
		2015	2014
	Notes	\$	\$
Cash flows from operating activities			
Interest received		142	2,165
Management fees paid		(16,971)	(26,836)
Other operating expenses paid		(3,254)	(2,876)
Net cash outflow from operating activities	6	<u>(20,083)</u>	<u>(27,547)</u>
Cash flows from financing activities			
Payments for redemptions by unitholders		-	(7,027,859)
Net cash outflow from financing activities		<u>-</u>	<u>(7,027,859)</u>
Net decrease in cash and cash equivalents		(20,083)	(7,055,406)
Cash and cash equivalents at the beginning of the year		3,802,024	10,791,762
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>(3,417)</u>	<u>65,668</u>
Cash and cash equivalents at the end of the year	5	<u>3,778,524</u>	<u>3,802,024</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

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1 General information

These financial statements cover BetaShares Euro ETF ("the Fund") as an individual entity. The Fund is a registered management investment scheme under the *Corporations Act 2001*. The Fund was registered on 9 June 2011 and commenced operations on 8 July 2011. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Fund commenced, if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law of equity. The Fund may be terminated in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is BetaShares Capital Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 50 Margaret Street, Sydney, NSW 2000.

The objective of the Fund is to earn a return that tracks the change in value of the Euro relative to the Australian Dollar, before fees and expenses. The Fund primarily invests its assets in a deposit account denominated in Euro with JP Morgan Chase Bank N A. Interest earned from this account, if any, will accrue to the benefit of the Fund and its unitholders.

The financial statements were authorised for issue by the directors on 24 September 2015. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in the Australian Dollars, which is the Fund's functional 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) Basis of preparation

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

The Fund is organised into one main segment which operated solely in the business of investment management within Australia.

The financial statements are prepared on the basis of the fair value measurement of assets and liabilities except where otherwise stated.

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 and net assets attributable to unitholders.

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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements

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 are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and regularly reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

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 short-term nature of these financial instruments.

Involvement with structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. In other cases it may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in unlisted trusts. The Fund does not hold any interests in structured entities (2014:Nil).

(b) Changes in accounting policy and transition

The Fund has applied the following new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2014:

- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities

The amendments made by AASB 2013-5 introduce an exception from the consolidation requirements for investment entities. The amendment provides relief from the requirement to consolidate any investments in subsidiaries. The Fund meets the definition of an investment entity under the standard. Therefore any investment in subsidiaries (other than those subsidiaries that provide investment related services) must be measured as fair value through profit and loss. The adoption of the amendment does not have any impact as the Fund does not have investments in subsidiaries.

The adoption of AASB 2013-4 did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 2014 that have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Responsible Entity's 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 directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. The Fund has not yet decided when to adopt AASB 9.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2017)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* 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 source of income are interest and gains on foreign exchange from cash balances. All of these are outside the scope of the new revenue standard. As 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.

(d) Net assets attributable to unitholders

Units are redeemable only by unitholders being Authorised Participants at the unitholders' option and are classified as financial liabilities. The units can be put back to the Fund at any time (subject to the *Corporations Act 2001* and the Fund's Constitution) for cash based on the redemption price. The redeemable units are measured at the redemption amount that is payable (based on the redemption unit price), which approximates fair value at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

(e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. The carrying amount of cash approximates fair value.

(f) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Foreign exchange gains or losses are recorded in accordance with policy describe in note 2(k).

(g) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

2 Summary of significant accounting policies (continued)

(h) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

(i) Distributions

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash payment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(j) Changes in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in statement of comprehensive income.

(k) Foreign currency translation

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.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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 comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

(l) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables. The carrying amount of receivables approximates fair value.

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.

2 Summary of significant accounting policies (continued)

(m) Payables

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

The distribution amount payable to unitholders as at the reporting period is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(n) Applications and redemptions

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

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% to 85%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable 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.

3 Net assets attributable to unitholders

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

	As at			
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Net assets attributable to unitholders	No. of units	No. of units	\$	\$
Opening balance	265,000	765,000	3,799,444	10,789,441
Redemptions	-	(500,000)	-	(7,027,859)
Change in net assets attributable to unitholders	-	-	(23,484)	37,862
Closing balance	265,000	265,000	3,775,960	3,799,444

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 all other units of the Fund (subject to applicable Australian Securities and Investments Commission (ASIC) relief).

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of eligible unitholders.

3 Net assets attributable to unitholders (continued)

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to extend the period allowed for satisfaction of redemption of units or reject a redemption in specified circumstances.

4 Distributions to unitholders

No distribution was paid/payable in the current reporting period (2014: Nil).

5 Cash and cash equivalents

	As at	
	30 June 2015	30 June 2014
	\$	\$
Cash and cash equivalents	3,778,524	3,802,024
Total	3,778,524	3,802,024

The average interest rate for the Fund is Nil (2014: 0.04%).

6 Reconciliation of operating profit to net cash outflow from operating activities

	Year ended	
	30 June 2015	30 June 2014
	\$	\$
Reconciliation of operating (loss)/profit to net cash outflow from operating activities		
Operating (loss)/profit for the year	(23,484)	37,862
Net change in interest receivables	87	11
Net change in payables	(77)	363
Net change in receivables	(26)	(115)
Net foreign exchange losses/(gains)	3,417	(65,668)
Net cash outflow from operating activities	(20,083)	(27,547)

7 Financial risk management

The Fund is an exchange traded fund (ETF) that primarily invests in a bank deposit account denominated in Euro.

The Fund's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and foreign exchange risk and ratings analysis for credit risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by an investment manager under policies approved by the Board of Directors of the Responsible Entity (the Board).

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement (PDS) and Investment Guidelines and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

Compliance with the Fund's PDS, Constitution and Investment Guidelines are reported to the Board on a regular basis.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Fund's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

Due to the nature of the Funds investments held, the Fund is not exposed to price risk.

(ii) Currency risk

The Fund holds monetary assets denominated in currencies other than the Australian Dollar. Foreign exchange risk arises as the value of these monetary assets denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund manages and monitors its currency exposure to the Euro as its transactions are primarily denominated in this currency.

The table below summarises the Fund's monetary assets and liabilities which are denominated in Euros and Australian Dollar.

30 June 2015

	Australian Dollars A\$	Euro A\$	Total A\$
Cash and cash equivalents	4,248	3,774,276	3,778,524
Payables	(3,020)	-	(3,020)
Receivables	456	-	456
	<u>1,684</u>	<u>3,774,276</u>	<u>3,775,960</u>

7 Financial risk management (continued)

(a) Market risk (continued)

30 June 2014	Australian Dollars A\$	Euro A\$	Total A\$
Cash and cash equivalents	2,901	3,799,123	3,802,024
Payables	(3,097)	-	(3,097)
Receivables	431	86	517
	<u>235</u>	<u>3,799,209</u>	<u>3,799,444</u>

Sensitivity analysis - foreign exchange risk

The impact of a strengthening or weakening of the Australian Dollar would result in an increase/decrease of approximately \$377,428 (2014: \$379,921) in relation to the Fund's monetary assets and liabilities. The analysis is based on the assumption that the Australian Dollar strengthened or weakened by 10% against the Euro to which the Fund is exposed.

(iii) Cash flow and fair value interest rate risk

The Fund primarily invests in cash which is denominated in Euro. It is therefore subject to risk due to fluctuations in the prevailing levels of Euro market interest rates.

Sensitivity analysis - variable rate instruments

An increase of 100 basis points in interest rates would have increased the Fund's operating profit and net assets attributable to unitholders by \$35,900 (2014: \$36,098). A decrease of 100 basis points would have decreased operating profit and net assets attributable to unitholders by the total amount of interest earned by the Fund during the financial year.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The main concentration of credit risk to which the Fund is exposed arises from the Fund's investment in cash and cash equivalents. The Fund invests in bank deposit accounts. Whilst the Responsible Entity monitors the risk and return characteristics of these deposit accounts over time, there is a risk that the relevant bank may not be in a financial position to pay interest or repay the deposit which may arise as a result of circumstances such as the bank's insolvency or other events of default.

(i) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is considered low as the Fund's primary investment is a deposit account held with JP Morgan Chase Bank N.A. which had a long term credit rating of A+ (S&P) and Aa2 (Moody's) at 30 June 2015 (30 June 2014: A+ (S&P) and Aa3 (Moody's)).

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's credit position on a regular basis.

(ii) Other

The custody of the Fund's assets is mainly concentrated with one counterparty, namely RBC Investor Services Trust. RBC Investor Services Trust is a wholly owned subsidiary of the Royal Bank of Canada which is a member of a major securities exchange and at 30 June 2015 had a credit rating of AA- (S&P) and Aa3 (Moody's) (30 June 2014: AA- (S&P) and Aa3 (Moody's)). At 30 June 2015, all cash and cash equivalents were held in custody by RBC Investor Services Trust.

7 Financial risk management (continued)

(c) Liquidity 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 Fund is exposed to daily cash redemptions of redeemable units. The Fund's investments in cash and cash equivalents are considered to be readily realisable and the Fund maintains adequate liquidity to pay withdrawals and distributions when required.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	On demand	1-6 months	6-12 months	1-2 years	Total
At 30 June 2015	\$	\$	\$	\$	\$
Payables	-	3,020	-	-	3,020
Net assets attributable to unitholders	3,775,960	-	-	-	3,775,960
Contractual cash flows	3,775,960	3,020	-	-	3,778,980

	On demand	1-6 months	6-12 months	1-2 years	Total
At 30 June 2014	\$	\$	\$	\$	\$
Payables	-	3,097	-	-	3,097
Net assets attributable to unitholders	3,799,444	-	-	-	3,799,444
Contractual cash flows	3,799,444	3,097	-	-	3,802,541

8 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Fund. Audit fees were borne by the Responsible Entity.

	Year ended 30 June 2015 \$	Period ended 30 June 2014 \$
KPMG		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	3,700	6,090
Audit of compliance plan	1,800	1,800
Total remuneration for audit services and other assurance services	5,500	7,890

9 Related party transactions

Responsible entity

The Responsible Entity of BetaShares Euro ETF is BetaShares Capital Ltd.

Key management personnel

(a) Directors

Executive Directors:

David Nathanson (appointed 21 September 2009)

Alex Vynokur (appointed 21 September 2009)

Non-Executive Directors:

Howard Atkinson (appointed 2 March 2010, resigned 12 August 2015)

Adam David Baker Felesky (appointed 29 December 2009, resigned 6 May 2015)

Taeyong Lee (appointed 12 August 2015)

Thomas Park (appointed 12 August 2015)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel unitholdings

At 30 June 2015 no key management personnel held units in the Fund.

At 30 June 2014 key management personnel of BetaShares Capital Ltd held units in the Fund as follows:

2014

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Alex Vynokur	75	-	-	-	-	75	-

Key management personnel compensation

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

Key management personnel are paid by Betashares Capital Ltd. Payments made from the Fund to Betashares Capital Ltd do not include any amounts directly 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 (2014: Nil).

9 Related party transactions (continued)

(b) Other key management personnel (continued)

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 during the financial year and there were no material contracts involving key management personnel's interests existing at year end (2014: Nil).

Responsible entity's management fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Fund's constitution. The Responsible Entity's fee is 0.45% p.a. of the net asset value of the Fund (after taking account of GST and reduced input tax credits) and is disclosed in the statement of comprehensive income (2014: 0.45% p.a.).

The transactions during the period and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	30 June 2015	30 June 2014
	\$	\$
Management fees earned by the Responsible Entity	16,894	27,198
Management fees payable to the Responsible Entity at reporting date	3,020	3,097

Related party unitholdings

Parties related to the Fund (including BetaShares Capital Ltd, its related parties and other schemes managed by BetaShares Capital Ltd), held no units in the Fund during the year (2014: Nil).

10 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2015 or on the results and cash flows of the Fund for the year ended on that date.

11 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2015 (30 June 2014: Nil).

Directors' declaration

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Euro ETF :

- (a) the financial statements and notes set out on pages 6 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.


The directors draw attention to Note 2(a) of the financial report which contains a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of BetaShares Capital Ltd.



David Nathanson
Director

Sydney
24 September 2015



Alex Vynokur
Director



Independent auditor's report to the unitholders of BetaShares Euro ETF

Report on the financial report

We have audited the accompanying financial report of BetaShares Euro ETF (the Scheme), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of BetaShares Capital Limited (the Responsible Entity) 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 is free from material misstatement, whether due to fraud or error. In note 2(a), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Scheme's financial position, and of its performance.

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of BetaShares Euro ETF is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

Tanya Gilerman
Partner

Sydney

24 September 2015