



BetaShares
Exchange Traded Funds

29 September 2015

Market Announcements Office
ASX Limited

ANNUAL FINANCIAL REPORT 2015
BETASHARES GEARED AUSTRALIAN EQUITY FUND (HEDGE FUND)
ASX CODE: GEAR

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.

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BetaShares Geared Australian Equity Fund (hedge fund)

ASX Code: GEAR

ARSN 150 081 691

Annual Financial Report - 30 June 2015

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Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Geared Australian Equity Fund (hedge fund) (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 Geared Australian Equity Fund (hedge fund) 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 the 6 July 2015 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 a fund domiciled in Australia. It is an exchange traded managed fund that is traded on the Australian Securities Exchange (ASX). The Fund was registered with the Australian Securities and Investments Commission (ASIC) on 8 April 2011 and remained dormant until it commenced operations on 2 May 2014.

The investment objective of the Fund is to provide geared exposure to the returns of the Australian share market.

The Fund will seek to achieve this objective by combining application money from investors with borrowed funds, and investing the proceeds in a broadly diversified share portfolio generally consisting of approximately 200 of the largest equity securities on the ASX, weighted by their market capitalisation.

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 directors of BetaShares Capital Ltd during 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)

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 Fund was formerly known as BetaShares Copper Index ETF – Currency Hedged Synthetic and remained dormant until the Fund changed its name to BetaShares Geared Australian Equity Fund (hedge fund) and commenced operations on 2 May 2014.

Directors' report (continued)

Review and results of operations (continued)

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 profit/(loss) before financing costs attributable to unitholders (\$'000)	2,173	(104)
Distribution paid and payable (\$'000)	936	-
Distribution - cents per unit (CPU)	72.28	-

The Fund made an operating profit of \$2,172,634 for the year ended 30 June 2015 due to an increase in dividend income and net gains on financial instruments (2014: loss \$104,071).

The Fund's net assets were \$30.17 million as at 30 June 2015 (2014: \$3.87 million). This change was primarily due to application/ redemption activities, and the operating profit referred to above.

The Fund made a distribution of 72.28 cents per unit (2014: nil) during the year ended 30 June 2015.

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

Since the end of the reporting period the fund's net asset value has changed by more than 10% due to changes in the fair value of investments held. This movement corresponds with movements in the level of the Australian share market (as measured by the S&P ASX 200 Index), to which the fund seeks to provide a geared exposure. More specifically the net asset value changed by (13.19%) whilst the S&P ASX 200 index changed by (13.19%).

No other 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 Product Disclosure Statement and 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 Fund's holdings of listed Australian equities. The Fund's investment objective and strategy remain unchanged, which is to provide geared exposure to the returns of the Australian share market.

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 either the Responsible Entity, directors or the auditor of the Fund. As long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the 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.

Directors' report (continued)

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 16 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the 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 16 of the financial statements.

Interests in the Fund

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

The value of the Fund's assets and liabilities is disclosed in 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 a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding" off of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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

Statement of comprehensive income

		Year ended	
	Notes	30 June 2015 \$'000	30 June 2014 \$'000
Investment income			
Dividend income	4	1,593	84
Net gains/(losses) on financial assets held at fair value through profit or loss	5	886	(175)
Total net investment income/(losses)		2,478	(91)
Expenses			
Management fees	16	280	12
Expense recoveries	16	25	1
Other operating expenses		1	0
Total operating expenses		306	13
Operating profit/(loss) before finance costs for the year		2,173	(104)
Finance costs attributable to unitholders			
Finance costs - interest expense		(661)	(29)
Distributions to unitholders	7	(936)	-
Change in net assets attributable to unitholders (total comprehensive income/(loss))		576	(133)

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

Statement of financial position

		As at	
	Notes	30 June 2015 \$'000	30 June 2014 \$'000
Assets			
Receivables	10	400	82
Financial assets held at fair value through profit or loss	9	70,913	9,241
Total assets		71,313	9,323
Liabilities			
Borrowings	11	40,507	5,424
Distributions payable	7	509	-
Interest payable		81	15
Other payables	12	42	13
Total liabilities (excluding net assets attributable to unitholders)		41,138	5,452
Net assets attributable to unitholders - liability	3	30,175	3,871

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.

Statement of cash flows

		Year ended	
	Notes	30 June 2015 \$'000	30 June 2014 \$'000
Cash flows from operating activities			
Dividends received		1,283	2
Management fees paid		(252)	-
Expense recoveries paid		(23)	-
Other expenses paid		(9)	(0)
Proceeds from maturity/sales of financial instruments held at fair value through profit or loss		16,000	50
Purchase of financial instruments held at fair value through profit or loss		(76,786)	(9,466)
Net cash inflow from operating activities	8(a)	(59,787)	(9,415)
Cash flows from financing activities			
Net proceeds of borrowings		35,083	5,424
Proceeds from applications by unitholders		32,479	4,005
Payments for redemptions by unitholders		(6,752)	-
Distributions paid		(427)	-
Interest paid on borrowings		(595)	(14)
Net cash inflow from financing activities		59,787	9,415
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year	8(b)	-	-

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

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1 General information

These financial statements cover BetaShares Geared Australian Equity Fund (hedge fund) ("the Fund") as an individual entity. The Fund is a registered managed investment scheme under the *Corporations Act 2001*. The Fund was registered on 8 April 2011 and commenced operations on 2 May 2014. 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 contravention of the rule against perpetuities or any other rule or law of equity. The Fund may be terminated in accordance with the provisions of the Fund's Constitution. The Fund is domiciled in Australia.

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 investment objective of the Fund is to provide geared exposure to the returns of the Australian share market.

The Fund will seek to achieve this objective by combining application money from investors with borrowed funds, and investing the proceeds in a broadly diversified share portfolio generally consisting of approximately 200 of the largest equity securities on the ASX, weighted by their market capitalisation.

The Fund is "internally geared", which means the Fund borrows the money for the purposes of gearing, instead of investors, and all gearing obligations are met within the Fund. The aim of gearing is to invest more capital and provide greater exposure to the Australian share market.

The Fund is an exchange traded managed fund that is traded on the Australian Securities Exchange (ASX). The Fund has been admitted to trading status on the ASX under the AQUA rules.

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 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, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The BetaShares Geared Australian Equity Fund (hedge fund) is a for-profit unit trust for the purpose of preparing the financial statements.

These financial statements are prepared based on an accruals concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the year. It is prepared on the basis of fair value measurement of assets and liabilities except otherwise stated. The financial statements are presented in Australian dollars, which is the Fund's functional currency.

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

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

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 investment in financial assets and net assets attributable to unitholders.

Compliance with International Financial Reporting Standards (IFRS)

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

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. The nature and extent of the Fund's interests in structured entities are titled "unlisted unit trusts" and are summarised in note 13.

The Fund typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

(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 1 July 2014:

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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:

- 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 changed from the previous requirements, and the Fund does not apply hedge accounting. The Fund has not yet decided when to adopt AASB 9.

- 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, 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 years and on foreseeable future transactions.

(d) Financial instruments

(i) Classification

The Fund's investments are classified as financial assets or financial liabilities, and are recognised at fair value through profit or loss. They comprise:

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

These include financial assets and financial liabilities such as equity instruments and unit trusts that are classified as not held for trading purposes and which may be sold.

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

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date they become 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 have expired or the Fund has transferred substantially all risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement

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

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income as incurred.

Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(iv) Offsetting financial instruments

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

(e) Net assets attributable to unitholders

Units are redeemable at the unitholders' option provided that unitholders are able to transfer the units, and receive payment of the redemption proceeds, through the CHESS system, 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 fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) which approximates fair value at the end of the reporting year if unitholders exercised their right to redeem units in the Fund.

(f) 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.

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.

(g) 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 and loss using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(d).

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recognised gross of withholding tax in the statement of comprehensive income.

(h) Expenses

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

2 Summary of significant accounting policies (continued)

(i) Income tax

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

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

(j) 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 or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(k) Change in net assets attributable to unitholders

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

(l) Due from/to brokers

Amounts due from/to brokers (if applicable) represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(m) 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(g) 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.

(n) Other payables

Other payables include liabilities, amounts due to brokers 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 date is recognised separately in the statement of financial position as unitholders are presently entitled to the distributable income.

(o) Borrowings and interest expense

Borrowings are recognised at fair value where any transaction fees and costs directly related to the borrowings are recognised in the statement of comprehensive income over the expected life of the borrowings. Borrowings are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Finance costs include interest expense related to the borrowings which are expensed in the statement of comprehensive income on an effective yield basis.

2 Summary of significant accounting policies (continued)

(p) 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.

(q) 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 at least 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 number of units and net assets attributable to unitholders during the year were as follows:

	Year ended		Year ended	
	30 June 2015	30 June 2015	30 June 2014	30 June 2014
	No. of units	Amount	No. of units	Amount
	'000	\$'000	'000	\$'000
Opening balance	200	3,871	-	-
Applications	1,614	32,451	200	4,005
Redemptions	(300)	(6,752)	-	-
Units issued upon reinvestment of distributions	1	27	-	-
Change in net assets attributable to unitholders	-	576	-	(133)
Closing balance	1,515	30,175	200	3,871

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 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 unitholders.

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 or spread redemptions in specified circumstances.

4 Dividend income

	Year ended	
	30 June 2015	30 June 2014
	\$'000	\$'000
Dividend income	1,593	84
	1,593	84

5 Net gains/(losses) on financial instruments held at fair value through profit or loss

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

	Year ended	
	30 June 2015	30 June 2014
	\$'000	\$'000
Financial Assets		
Net unrealised loss on financial assets held at fair value through profit or loss	(214)	(176)
Net realised gain on financial assets held at fair value through profit or loss	1,099	1
Total net gains/(losses) on financial assets held at fair value through profit or loss	886	(175)

6 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	30 June 2014
	\$	\$
KPMG		
<i>Audit and review assurance services</i>		
Audit and review of financial reports	4,995	3,700
Audit of Compliance Plan	1,800	1,800
Total remuneration for audit and other assurance services	6,795	5,500

7 Distributions to unitholders

The distributions paid/payable for the year were as follows:

	Year ended			
	30 June 2015	30 June 2015	30 June 2014	30 June 2014
	\$'000	cents per unit	\$'000	cents per unit
Distributions				
Distribution paid - December	428	38.74	-	-
Distribution payable - June	508	33.54	-	-
Total Distribution	936	72.28	-	-

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

	Year ended	
	30 June 2015	30 June 2014
	\$'000	\$'000
(a) Reconciliation of operating profit/(loss) to net cash outflow from operating activities		
Operating profit/(loss) for the year	2,173	(104)
Net (gains)/losses on financial assets held at fair value through profit or loss	(886)	175
Net change in receivables and other assets	(318)	(82)
Net change in payables and other liabilities	30	13
Purchase of financial instruments held at fair value through profit or loss	(76,786)	(9,466)
Proceeds from maturity/sales of financial instruments held at fair value through profit or loss	16,000	50
Net cash outflow from operating activities	(59,787)	(9,415)

(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 and cash equivalents	-	-
	-	-

9 Financial assets held at fair value through profit or loss

	As at	
	30 June 2015	30 June 2014
	\$'000	\$'000
Designated at fair value through profit or loss		
Listed equities	61,598	9,241
Listed unit trusts	8,307	-
Listed property trusts	1,008	-
Total financial assets held at fair value through profit or loss	70,913	9,241

An overview of the risk exposures relating to financial assets and liabilities is included in note 13.

10 Receivables

	As at	
	30 June 2015	30 June 2014
	\$'000	\$'000
Dividends receivable	392	82
GST receivable	8	-
Total receivables	400	82

11 Borrowings

The Fund has a loan facility with its Custodian/Prime Broker, Deutsche Bank AG, which commenced on 5 May 2014 pursuant to a prime brokerage agreement. Deutsche Bank AG has the ultimate discretion as to the amount to lend under the facility. Amounts drawn are repayable on demand.

As security for the performance of its obligations under the prime brokerage agreement, the Responsible Entity has granted a charge to Deutsche Bank AG over the Fund's assets held by Deutsche Bank AG. Deutsche Bank AG, as the loan provider, has certain rights, including the right to take possession of, and sell the Fund's assets if an event of default occurs in relation to the Fund. An event of default includes (i) failure by the Fund to make any repayment under the loan when due (ii) breach of a material term of the prime brokerage agreement that is not remedied within three business days after receiving notice of the breach (iii) insolvency of the Fund (iv) the Responsible Entity ceasing to be qualified to be the Responsible Entity of the Fund (v) where the Fund's gearing ratio on any day exceeds the maximum gearing ratio specified in the Product Disclosure Statement and is not reduced to below the maximum gearing ratio by the next business day.

Deutsche Bank AG is also entitled at any time to transfer to itself absolute ownership of a portion of the Fund's securities having a value up to, but not exceeding, 100% of the loan amount outstanding from time to time (the "Transferred Securities Limit"). Deutsche Bank AG may deal with any assets so transferred in its absolute discretion and for its own benefit (including selling or lending those assets to third parties). The Fund will have an unsecured, contractual right to the return (at the discretion of Deutsche Bank AG) of either equivalent securities or the then current cash value of the transferred securities. If the Transferred Securities Limit is exceeded for any reason (such as market movements), the Responsible Entity will request that Deutsche Bank AG promptly transfer to the Fund sufficient equivalent securities or cash value so as to comply with the Transferred Securities Limit.

As at 30 June 2015, the drawn borrowing was \$40,506,594 (2014: \$5,423,744) and the interest payable was \$80,612 (2014: \$15,441).

The maximum gearing ratio that the Responsible Entity has adopted is 65% (i.e., the Fund will have a maximum exposure to movements in the share portfolio equal to approximately 286% of the net asset value).

The average interest rate for the 2015 financial year was 3.4% (2014: 3.4%).

12 Other payables

	As at	
	30 June 2015	30 June 2014
	\$'000	\$'000
Management fees payable	39	12
Expense recoveries payable	3	1
Total other payables	42	13

13 Involvement with unconsolidated structured entities

The following structured entities are recorded at fair value within financial assets held through fair value through profit or loss.

Type of structured entities	Fair value as at 30 June 2015 \$'000	Fair value as at 30 June 2014 \$'000	Exposure 30 June 2015 %	Exposure 30 June 2014 %	Maximum exposure to loss 30 June 2015 \$'000	Maximum exposure to loss 30 June 2014 \$'000
Australand Property	-	14	-	0.00	-	14
Ardent Leisure Trust	48	8	0.00	0.00	48	8
Mirvac Group	325	45	0.00	0.00	325	45
Investa Office Fund	120	15	0.00	0.00	120	15
Cromwell Prop Group	68	9	0.00	0.00	68	9
CharterHall Rtl REIT	67	8	0.00	0.00	67	8
CFS Retail Property	-	35	-	0.00	-	35
GPT Property Trust	387	45	0.01	0.00	387	45
Abacus Property Gp	39	5	0.00	0.00	39	5
Stockland Pty Tst	494	62	0.01	0.01	494	62
Dexus Property Group	360	42	0.01	0.00	360	42
Goodman Group	502	54	0.01	0.01	502	54
Charter Hall Pty Trust	72	8	0.00	0.00	72	8
Federation Centres	490	25	0.01	0.00	490	25
National Storage	26	-	0.00	-	26	-
Scentre Group	1,025	114	0.01	0.01	1,025	114
Westfield Group	895	95	0.01	0.01	895	95
	4,919	586	0.07	0.06	4,919	586

The fair value of the exposure will change on a daily basis throughout the period and in subsequent periods and will cease once the investments are disposed.

14 Financial risk management

(a) Objectives, strategies, policies and processes

The Fund is an exchange traded managed fund that combines application money from investors with borrowed funds, and invests the proceeds in a broadly diversified share portfolio generally consisting of approximately 200 of the largest equity securities on the ASX.

The Fund's activities expose it to a variety of financial risks: market risk (including price risk 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. Methods include sensitivity analysis in the case of price 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.

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

(b) 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 or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

14 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk

The Fund is exposed to equity price risk in relation to listed equities, listed unit trusts and listed property trusts. This security risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk exposure arises from the Fund's investment portfolio. The investments are classified on the balance sheet as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's overall market positions are reported to the Board on a regular basis.

Net assets attributable to unitholders include investments in equity securities. At 30 June 2015, the overall market exposures were as follows:

	As at	
	30 June 2015	30 June 2014
	\$'000	\$'000
Securities designated at fair value through profit or loss	70,913	9,241

Sensitivity analysis

At 30 June 2015, if the equity prices had increased by 10% with all other variables held constant, this would have increased net assets attributable to unitholders (and operating profit/(loss)) by approximately \$7,091,270 (2014: \$924,134). Conversely, if the equity prices had decreased by 10%, this would have decreased net assets attributable to unitholders (and operating profit/(loss)) by approximately \$7,091,270 (2014: \$924,134).

(ii) Foreign currency risk

The Fund is not exposed to significant risks from movements in foreign exchange rates as there are no financial assets or liabilities denominated in foreign currencies.

(iii) Interest rate risk

The Fund borrows to gear its investment exposure and is therefore exposed to interest rate risk. An increase in the Fund's cost of borrowing resulting from an increase in interest rates or an increase in the borrowing rate charged by the Fund's Prime Broker will have an impact on the Fund's profit from operating activities.

The Responsible Entity monitors the level of gearing on a daily basis and makes adjustments to ensure that the maximum gearing ratio is not intentionally exceeded. This means that the Fund should not be exposed to investment losses that exceed its value, except where the value of the Fund's share portfolio were to fall by more than 35% in one day (assuming the Fund was geared to its maximum anticipated level of gearing, being 65%, on such a day). In any event, investors are not exposed to the risk of paying "margin calls" in market downturns, as all gearing obligations are met within the Fund.

In connection with the Fund's loan arrangement, the Responsible Entity has granted security over the Fund's assets to the Prime Broker in the form of a charge. This means that the Prime Broker, as the loan provider, has certain rights, including the right to take possession of, and sell, the assets if the Fund defaults on the loan repayments or another event of default occurs.

Sensitivity analysis

At 30 June 2015, if the interest rates had increased by 10 basis points with all other variables held constant, this would have decreased net assets attributable to unitholders (and operating profit/(loss)) by approximately \$1,381 (2014: \$542). Conversely, if the interest rates had decreased by 10 basis points, this would have increased net assets attributable to unitholders (and operating profit/(loss)) by approximately \$1,381 (2014: \$542).

14 Financial risk management (continued)

(c) 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.

Settlement of securities transactions

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

(d) 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 or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable units. It therefore primarily holds investments that are traded in an active market and can be readily realisable as they are listed on the Australian Securities Exchange.

Maturity analysis for financial liabilities

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

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	12-60 months \$'000
At 30 June 2015				
Distributions payable	509	-	-	-
Borrowings	40,507	-	-	-
Interest payable	81	-	-	-
Payables	42	-	-	-
Net assets attributable to unitholders	30,175	-	-	-
Total financial liabilities	71,313	-	-	-
	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	12-60 months \$'000
At 30 June 2014				
Borrowings	5,424	-	-	-
Interest payable	15	-	-	-
Payables	13	-	-	-
Net assets attributable to unitholders	3,871	-	-	-
Total financial liabilities	9,323	-	-	-

15 Fair value measurements

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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 or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value estimation

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 excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or 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 statement of comprehensive income.

(i) Fair value in an active market (Level 1)

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 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. 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 held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net position, as appropriate.

Fair value estimation (continued)

(i) Fair value in an active market (Level 1) (continued)

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 and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

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 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 carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. 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.

Options on index futures are measured by the quoted market prices, or binding dealer price quotations in the exchange of where they are listed or held.

15 Fair value measurements (continued)

(iii) Recognised fair value measurements

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2015.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2015				
Financial assets				
Financial assets designated at fair value through profit or loss				
Listed equities	70,913	-	-	70,913
Total assets	70,913	-	-	70,913

At 30 June 2014				
Financial assets				
Financial assets designated at fair value through profit or loss				
Listed equities	9,241	-	-	9,241
Total assets	9,241	-	-	9,241

(iv) Transfers between levels

There were no transfers between levels during the period ended 30 June 2015.

(v) Movement in level 3 instruments

There were no investments classified as level 3 within the Fund as at 30 June 2015.

(vi) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current period.

16 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the following table:

	Effects of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position	
	Gross amounts of financial instrument \$'000	Gross amounts set off in the statement of financial position \$'000	Net amount of financial assets/ (liabilities) presented in the statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Net amount \$'000
As at 30 June 2015					
Financial assets - Listed equities	70,913	-	70,913	70,913	70,913
Financial liabilities - Borrowings	40,507	-	40,507	(40,507)	(40,507)
Total	111,419	-	111,419	30,406	30,406
As at 30 June 2014					
Financial assets - Listed equities	9,241	-	9,241	9,241	9,241
Financial liabilities - Borrowings	5,424	-	5,424	(5,424)	(5,424)
Total	14,665	-	14,665	3,818	3,818

Agreements with the funding counterparty, Deutsche Bank are based upon the Prime Broker Agreement. Under the terms of this arrangement, only when certain credit events occur (such as default), the net position owing to Deutsche Bank, after taking into consideration the equities held by Deutsche Bank, will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table on the previous page.

17 Related party transactions

Responsible Entity

The Responsible Entity of BetaShares Geared Australian Equity Fund (hedge fund) 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 year.

(c) Related party Fund's unitholdings

Parties related to the Fund (including BetaShares Capital Ltd, its related parties and other schemes managed by BetaShares Capital Ltd), did not hold any units in the Fund for the year ended 30 June 2015, and 30 June 2014.

(d) Key management personnel holdings

The key management personnel of BetaShares Geared Australian Equity Fund (hedge fund) held units in the Fund as follows:

For the year ended 30 June 2015

Number of units held

Unitholder	Interest held (%)	Number of units held opening (Units)	Number of units acquired (Units)	Number of units disposed (Units)	Number of units held closing (Units)	Distributions paid/payable by the Fund \$
Alex Vynokur	0.00%	110	-	110	-	-

For the year ended 30 June 2014

Number of units held

Unitholder	Interest held (%)	Number of units held opening (Units)	Number of units acquired (Units)	Number of units disposed (Units)	Number of units held closing (Units)	Distributions paid/payable by the Fund \$
Alex Vynokur	0.06%	-	110	-	110	-

(e) 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.

17 Related party transactions (continued)

(f) 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).

(g) Other transactions within 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 or their personally related entities at any time during the reporting period (2014: nil).

(h) Responsible Entity fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Fund's Constitution. The Responsible Entity's fee is 0.80% p.a. of the gross asset value of the Fund, including expense recoveries of 0.06% (after taking into account GST and reduced input tax credits) and is disclosed in the statement of comprehensive income.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	Year ended	
	30 June 2015	30 June 2014
	\$'000	\$'000
Management fees earned by the Responsible Entity	280	12
Management fees payable to the Responsible Entity as at the reporting date	39	12
Recoverable fees earned by the Responsible Entity	25	1
Recoverable fees payable to the Responsible Entity as at the reporting date	3	1

17 Events occurring after the reporting year

Since the end of the reporting period the fund's net asset value has changed by more than 10% due to changes in the fair value of investments held. This movement corresponds with movements in the level of the Australian share market (as measured by the S&P ASX 200 Index), to which the fund seeks to provide a geared exposure. More specifically the net asset value changed by (13.19%) whilst the S&P ASX 200 index changed by (13.19%).

No other 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.

18 Contingent assets and liabilities and commitments

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

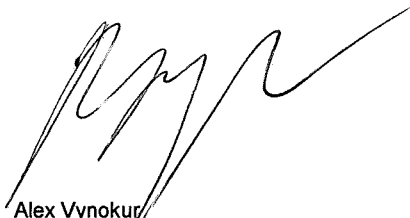
Directors' declaration

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Geared Australian Equity Fund (hedge fund):


- (a) the financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian 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 Reporting Standards.

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



Alex Vynokur
Director



David Nathanson
Director

Sydney
24 September 2015



Independent auditor's report to the unitholders of BetaShares Geared Australian Equity Fund (hedge fund)

Report on the financial report

We have audited the accompanying financial report of BetaShares Geared Australian Equity Fund (hedge fund) (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 18 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 Geared Australian Equity Fund (hedge fund) 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