



AUSTRALIAN DIVIDEND FUND

**FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

Presented by Smartshares Limited, Manager of the Australian Dividend Fund

AUSTRALIAN DIVIDEND FUND

TABLE OF CONTENTS

	Page
Directory	1
Statement by the Manager	2
Financial Statements	
Statement of Comprehensive Income	3
Statement of Changes in Unitholders' Funds	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 16
Unitholder Information	17

AUSTRALIAN DIVIDEND FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN DIVIDEND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Dividend Fund (the 'Fund') was created by an establishment deed dated 1 December 2014 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 30 September 2017, and the results of its financial performance and cash flows for the six months ended 30 September 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 23 November 2017.

AUSTRALIAN DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
	Note			
INCOME				
Dividend income		1,823	1,789	3,623
Net changes in fair value of financial assets at fair value through profit or loss		<u>(4,353)</u>	<u>(839)</u>	<u>7,052</u>
Total income		<u>(2,530)</u>	<u>950</u>	<u>10,675</u>
EXPENSES				
Management fees expense	7	(186)	(165)	(339)
Foreign exchange loss		(38)	(24)	(1)
Miscellaneous expenses		<u>(11)</u>	<u>-</u>	<u>(8)</u>
Total expenses		<u>(235)</u>	<u>(189)</u>	<u>(348)</u>
(Loss)/profit before tax		(2,765)	761	10,327
Income tax expense	1	<u>(427)</u>	<u>(364)</u>	<u>(747)</u>
(Loss)/profit after tax		(3,192)	397	9,580
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income		<u>(3,192)</u>	<u>397</u>	<u>9,580</u>
EARNINGS PER UNIT				
Basic and diluted (losses)/earnings per unit (cents per unit)	4	<u>(7.73)</u>	<u>1.01</u>	<u>24.27</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

AUSTRALIAN DIVIDEND FUND

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the period/year		70,465	61,066	61,066
Total comprehensive (loss)/profit for the period/year		<u>(3,192)</u>	<u>397</u>	<u>9,580</u>
Subscriptions from unitholders	6	3,833	1,576	1,972
Distributions to unitholders	5	<u>(1,326)</u>	<u>(1,075)</u>	<u>(2,153)</u>
		<u>2,507</u>	<u>501</u>	<u>(181)</u>
Unitholders' funds at the end of the period/year		<u><u>69,780</u></u>	<u><u>61,964</u></u>	<u><u>70,465</u></u>

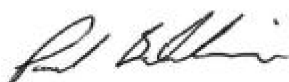
The accompanying notes form part of and should be read in conjunction with these financial statements.

AUSTRALIAN DIVIDEND FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

		Unaudited As At 30 September 2017 \$'000	Unaudited As At 30 September 2016 \$'000	Audited As At 31 March 2017 \$'000
	Note			
ASSETS				
Cash and cash equivalents		1,155	1,044	1,174
Receivables		471	479	570
Taxation receivable		-	112	-
Investments in equity securities held at fair value through profit or loss	2	<u>68,577</u>	<u>60,730</u>	<u>69,119</u>
TOTAL ASSETS		<u>70,203</u>	<u>62,365</u>	<u>70,863</u>
LIABILITIES				
Management fees payable	7	(3)	(27)	(3)
Taxation payable		(211)	-	(232)
Deferred tax liability	1	(116)	(75)	(91)
Distribution payable to unitholders	5	-	(210)	-
Funds held for unit purchases		(93)	(89)	(23)
Unsettled purchases		<u>-</u>	<u>-</u>	<u>(49)</u>
TOTAL LIABILITIES		<u>(423)</u>	<u>(401)</u>	<u>(398)</u>
UNITHOLDERS' FUNDS		<u>69,780</u>	<u>61,964</u>	<u>70,465</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>70,203</u>	<u>62,365</u>	<u>70,863</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 23 November 2017.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

AUSTRALIAN DIVIDEND FUND

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Dividend income received	1,911	2,102	3,822
<i>Cash was applied to:</i>			
Management fees paid	(186)	(166)	(364)
Taxation paid	(412)	(704)	(704)
Miscellaneous expenses paid	(11)	-	(8)
Net cash flows from operating activities	1,302	1,232	2,746
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of investments	20,980	18,674	34,724
<i>Cash was applied to:</i>			
Purchase of investments	(22,133)	(18,853)	(35,339)
Net cash flows from investing activities	(1,153)	(179)	(615)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Subscriptions received from unitholders	1,163	318	655
<i>Cash was applied to:</i>			
Distributions paid to unitholders	(1,326)	(1,063)	(2,351)
Net cash flows from financing activities	(163)	(745)	(1,696)
Net decrease/increase in cash and cash equivalents	(14)	308	435
Cash and cash equivalents at the beginning of the period/year	1,174	733	733
Effect of exchange rate fluctuations on cash and cash equivalents	(5)	3	6
Cash and cash equivalents at the end of the period/year	1,155	1,044	1,174
Reconciliation of (loss)/profit after tax to net cash flows from operating activities			
(Loss)/profit after tax	(3,192)	397	9,580
Net changes in fair value of financial assets at fair value through profit or loss	4,353	839	(7,052)
Foreign exchange loss	38	24	1
Decrease in taxation payable	(21)	(319)	(87)
Increase in deferred tax liability	25	75	91
Decrease in management fees payable	-	(1)	(25)
Decrease/(increase) in receivables	99	(112)	238
Decrease in prepayment of tax finance fee	-	329	-
Net cash flows from operating activities	1,302	1,232	2,746

The accompanying notes form part of and should be read in conjunction with these financial statements.

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

GENERAL INFORMATION

The Australian Dividend Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 1 December 2014 and commenced operation on 16 December 2014.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX Dividend Opportunities Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 29 September 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the periods/year presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the distributions are on the last business day of May and November in each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from the investment in securities listed in Note 2 after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. The Fund is able to utilise imputation credits and foreign withholding tax credits when they arise. The Fund pays tax to the extent that the imputation credits and foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments. For the period ended 30 September 2017, two equity investments individually contributed 10% or more of the Fund's dividend income (30 September 2016: one equity investment; 31 March 2017: one equity investment). The dividend income received from these equity investments were \$211,000 and \$205,000 (30 September 2016: \$203,000; 31 March 2017: \$431,000).

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Changes in accounting policies and accounting standards adopted during the period

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the period. All policies have been applied on a basis consistent with those used in the prior periods.

(b) New accounting standards adopted

There were no new accounting standards adopted during the period that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 30 September 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. TAXATION

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Tax expense comprises:			
Current tax expense	(403)	(289)	(850)
Prior period adjustment	1	(75)	4
Deferred tax movement	(25)	-	99
Total tax expense	(427)	(364)	(747)

The prima facie income tax expense on (loss)/profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Income tax expense			
(Loss)/profit before tax	(2,765)	761	10,327
Income tax using the statutory income tax rate 28%	774	(213)	(2,892)
Net changes in fair value of financial assets	(1,225)	(235)	1,971
Non taxable income	(26)	91	105
Tax on securities subject to FDR	(29)	(30)	(57)
Gross up of imputation credits	(31)	(9)	(48)
	(537)	(396)	(921)
Less imputation credits and other tax credits	109	32	170
Prior period adjustment	1	-	4
Income tax expense as per Statement of Comprehensive Income	(427)	(364)	(747)

Deferred Tax

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Opening balance	(91)	-	-
Current period movement	(25)	(75)	99
Prior period adjustment	-	-	(190)
Closing balance	(116)	(75)	(91)

Imputation credit account (ICA)

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Imputation credits available for use in subsequent periods	436	568	488

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017		30 September 2016		31 March 2017	
	Number of Shares '000	Fair Value \$'000	Number of Shares '000	Fair Value \$'000	Number of Shares '000	Fair Value \$'000
Underlying securities						
Adelaide Brighton Limited	116	734	46	266	65	402
AGL Energy Limited	-	-	80	1,610	86	2,469
AMP Limited	122	639	224	1,242	114	642
APA Group	291	2,633	124	1,114	165	1,618
Ardent Leisure Group	-	-	70	203	-	-
ASX Limited	6	337	12	625	6	307
Ausnet Services Limited	507	930	310	535	366	673
Automotive Holdings Group Limited	117	422	44	196	64	287
Alumina Limited	698	1,667	506	777	317	620
Aurizon Holdings Limited	690	3,671	322	1,595	393	2,251
Asaleo Care Limited	160	268	-	-	2,205	4,236
Boral Limited	281	2,067	-	-	170	1,082
Bank of Queensland Limited	19	273	45	538	18	234
Bendigo and Adelaide Bank Limited	23	284	51	575	18	241
APN Outdoor Group Limited	47	238	-	-	-	-
Challenger Limited	-	-	32	340	12	163
Commonwealth Bank of Australia	68	5,571	76	5,799	75	6,985
CSR Limited	181	929	71	269	82	404
Crown Resorts Limited	136	1,671	-	-	89	1,141
DuluxGroup Limited	102	772	-	-	59	421
Downer EDI Limited - Rights	-	-	-	-	28	-
Downer EDI Limited	159	1,169	95	540	75	475
Duet Group	-	-	437	1,155	459	1,397
Estia Health Limited	-	-	33	115	-	-
Eclix Group Limited	8	36	-	-	7	29
Fairfax Media Limited	631	647	305	303	417	467
Fortescue Metals Group Limited	763	4,255	-	-	-	-
Flight Centre Travel Group Limited	-	-	10	390	-	-
GWA Group Limited	96	273	-	-	67	211
G8 Education Limited	188	833	83	266	105	467
Genworth Mortgage Insurance Australia Limited	17	50	38	107	14	47
Harvey Norman Holdings Limited	330	1,390	118	643	157	777
Insurance Australia Group Limited	-	-	195	1,123	-	-
IOOF Holdings Limited	11	137	28	252	11	104
JB Hi-Fi Limited Ordinary Fully Paid Deferred	-	-	2	62	-	-
JB Hi-Fi Limited	36	884	12	355	16	442
Japara Healthcare Limited	102	198	39	83	-	-
Lend Lease Group	-	-	29	422	75	1,269
Macquarie Group Limited	12	1,213	25	2,127	10	999
McMillan Shakespeare Limited	26	409	11	135	19	271
Magellan Financial Group Limited	-	-	8	192	4	96
Medibank Private Limited	89	283	-	-	80	246
National Australia Bank Limited	136	4,660	-	-	125	4,532
Navitas Limited	86	422	38	206	52	251

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

	30 September 2017		30 September 2016		31 March 2017	
	Number of Shares '000	Fair Value \$'000	Number of Shares '000	Fair Value \$'000	Number of Shares '000	Fair Value \$'000
Underlying securities						
Nine Entertainment Co Holdings Pty Limited	-	-	288	320	-	-
Premier Investments Limited	27	380	-	-	-	-
Perpetual Limited	2	101	4	214	2	101
Platinum Asset Management Limited	10	68	21	113	-	-
QBE Insurance Group Limited	41	445	-	-	38	531
Regis Resources Limited	157	614	24	112	-	-
Retail Food Group Limited	79	368	20	143	28	162
Rio Tinto Limited	100	7,196	83	4,508	56	3,664
Sigma Healthcare Limited	506	453	154	230	213	300
Sai Global Limited	-	-	33	160	-	-
Seven Group Holdings Limited	24	317	21	191	21	250
Spark Infrastructure Trust	489	1,337	202	491	279	720
Spark New Zealand Limited	536	1,937	1,627	5,891	1,825	6,334
Spotless Group Holdings Limited	-	-	-	-	306	362
Suncorp Group Limited	50	702	109	1,388	47	672
Super Retail Group Limited	52	457	22	238	25	278
Tabcorp Holdings Limited	350	1,625	144	754	175	907
Telstra Corporation Limited	-	-	1,002	5,462	1,183	6,014
Tassal Group Limited	50	208	-	-	-	-
Wesfarmers Limited	159	7,113	139	6,469	146	7,188
Westpac Banking Corporation	153	5,291	192	5,972	141	5,380
Woodside Petroleum Limited	-	-	130	3,914	-	-
		68,577		60,730		69,119

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the period ended 30 September 2017 (30 September 2016: none; 31 March 2017: none).

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	30 September 2017	30 September 2016	31 March 2017
(Loss)/profit after tax (\$'000)	(3,192)	397	9,580
Weighted average number of units ('000)	41,290	39,249	39,468
Basic and diluted (losses)/earnings per unit (cents per unit)	(7.73)	1.01	24.27

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Opening distribution payable	-	198	198
Distribution accrued to unitholders	1,326	1,075	2,153
Distributed to unitholders	(1,326)	(1,063)	(2,351)
Closing distribution payable	-	210	-

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
March 2016 (paid April 2016)	31/03/2017	0.51	-	198	198
June 2016 (paid July 2016)	31/03/2017	2.20	-	865	865
September 2016 (paid October 2016)	31/03/2017	0.53	-	-	210
November 2016 (paid December 2016)	31/03/2017	2.72	-	-	1,078
June 2017 (paid July 2017)	31/03/2018	3.22	1,326	-	-
			1,326	1,063	2,351

6. UNITHOLDERS' FUNDS

As at 30 September 2017 there were 42,040,000 units on issue (30 September 2016: 39,540,000; 31 March 2017: 39,790,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the period ended 30 September 2017 was 2,250,000 (30 September 2016: 1,000,000; 31 March 2017: 1,250,000) for total value of \$3,833,000 (30 September 2016: \$1,576,000; 31 March 2017: \$1,972,000).

The number of units redeemed during the period ended 30 September 2017 was nil (30 September 2016: nil; 31 March 2017: nil) for total value of \$nil (30 September 2016: \$nil; 31 March 2017: \$nil).

	30 September 2017 '000	30 September 2016 '000	31 March 2017 '000
Movement in the number of units			
Balance at the beginning of the period/year	39,790	38,540	38,540
Subscriptions received during the period/year	2,250	1,000	1,250
Units on issue at the end of the period/year	42,040	39,540	39,790

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

6. UNITHOLDERS' FUNDS (Continued)

The net asset value of each unit per the financial statements is \$1.65985 (30 September 2016: \$1.56712; 31 March 2017: \$1.77092). Any difference between the net asset value announced to the market for 29 September 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the period.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund until 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to comply with the Financial Markets Conduct Act 2013.

As at 30 September 2017, SLI held 38,801,956 (31 March 2017: 37,655,556) units valued at \$64,436,856 (31 March 2017: \$66,705,000) in the Fund. As at 30 September 2016, SLSS held 37,655,556 units valued at \$59,037,000 in the Fund.

Distributions

The Fund paid distribution of \$1,250,000 to SLI for the period ended 30 September 2017 (31 March 2017: \$1,024,000). The balance remaining as payable at the end of the period is \$nil (31 March 2017: \$nil). The Fund paid distribution of \$1,026,000 to SLSS for the period ending 30 September 2016 (31 March 2017: \$1,027,000). The balance remaining as payable as at 30 September 2016 was \$200,000. All distributions were settled prior to the transfer of investments from SLSS to SLI on 28 October 2016.

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the period ended 30 September 2017 amounted to \$186,000 (30 September 2016: \$165,000; 31 March 2017: \$339,000), with \$3,000 (30 September 2016: \$27,000; 31 March 2017: \$3,000) of outstanding accrued management fees due to the Manager at the end of the period.

The total interest earned on cash at banks for the period ended 30 September 2017 amounted to \$6,000 (30 September 2016: \$8,000; 31 March 2017: \$13,000).

Total direct purchase application fees for the period ended 30 September 2017 amounted to \$2,000 (30 September 2016: \$1,000; 31 March 2017: \$2,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the period ended 30 September 2017 was \$nil (30 September 2016: \$1,000; 31 March 2017: \$5,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
<u>Loans and receivables</u>			
Cash and cash equivalents	1,155	1,044	1,174
Receivables	471	479	570
<u>Financial assets at fair value through profit and loss</u>			
Investments in equity securities held at fair value through profit or loss	68,577	60,730	69,119
<u>Other financial liabilities</u>			
Management fees payable	(3)	(27)	(3)
Distribution payable to unitholders	-	(210)	-
Funds held for unit purchases	(93)	(89)	(23)
Unsettled purchases	-	-	(49)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 30 September 2017 would have increased/decreased net profit and unitholder funds by \$6,858,000 (30 September 2016: \$6,073,000; 31 March 2017: \$6,912,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Cash and cash equivalents	1,155	1,044	1,174
Receivables	471	479	570

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	30 September 2017		30 September 2016		31 March 2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	93	AA-	89	AA-	23	AA-
BNP Paribas	27	A	93	A-	206	A
Westpac	1,035	AA-	862	AA-	945	AA-
	<u>1,155</u>		<u>1,044</u>		<u>1,174</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 30 September 2017 would have decreased/increased profit and unitholders funds by \$6,908,000 (30 September 2016: \$6,130,000; 31 March 2017: \$6,985,000).

The table below summarises the Fund's exposure to currency risks.

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Australian dollar cash held (NZD)	27	93	206
Receivables	471	479	570
Investments in equity securities held at fair value through profit or loss	68,577	60,730	69,119

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 30 September 2017 (30 September 2016: none; 31 March 2017: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 30 September 2017 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN DIVIDEND FUND

UNITHOLDER INFORMATION

Distribution of security holders and security holdings as at 30 September 2017

	No. of holders	% of holders	No. of securities	% of securities
1 - 1,000	105	28.46	51,954	0.12
1,001 - 5,000	134	36.30	334,768	0.80
5,001 - 10,000	58	15.72	410,335	0.98
10,001 - 50,000	62	16.80	1,287,692	3.06
50,001 - 100,000	5	1.36	375,701	0.89
Greater than 100,000	5	1.36	39,580,043	94.15
Totals	369	100.00	42,040,493	100.00

20 largest registered holders of quoted equity securities as at 30 September 2017

Full name	Total	Percentage %
SuperLife Nominees Limited	38,801,956	92.30
My Tax Back NZ Limited	303,582	0.72
FNZ Custodians Limited	209,543	0.50
Philippa Jane Stubbins & Comac Trustee Limited	162,975	0.39
Terence Murray Fleming & Jane Michelle Fleming & Sw Trust Services (Ten) Ltd	101,987	0.24
Barbara Anne Bridger	91,450	0.22
Bianca Helena Yianni	82,460	0.20
Joanna Marie Deighton	75,180	0.18
Matthew Weir	65,000	0.15
Investment Custodial Services Limited	61,611	0.15
David Georges Andre Dromer	50,000	0.12
Mark John Scott Mckearney	46,963	0.11
Thierry Adam	46,304	0.11
Billy Cheung Services Limited	34,270	0.08
Severne Holdings Limited	34,200	0.08
Anthony Neil Hooks & Jillian Jeanette Hooks	34,104	0.08
Michael Gordon Peake & Anita Forbes Peake	31,673	0.08
Tracy Barbara Olberg	30,350	0.07
David John Houghton	30,000	0.07
Hugh Duff Eaton & Jane Margaret Eaton	29,409	0.07
Totals	40,323,017	95.92

Substantial security holdings

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 30 September 2017. The total number of units on issue at 30 September 2017 was 42,040,493.

Directors' interest in units as at 30 September 2017

	Beneficial	Non - Beneficial
Bevan K. Miller	6,046*	-
Guy R. Elliffe	11,444*	-
A. John Williams	-	-
Paul J. Baldwin	-	-

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme.

	Male	Female
Gender composition of Directors	4	-