



NZ CASH FUND

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

Presented by Smartshares Limited, Manager of the NZ Cash Fund

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DIRECTORY

THE MANAGER

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This is also the address of the registered office.

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PRINCIPAL OFFICE OF THE MANAGER

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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)

AUDITOR

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

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

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Level 5, 40-42 Queens Street
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New Zealand

THE INVESTMENT MANAGER

Nikko Asset Management New Zealand Limited
Level 9, Vero Centre, 48 Shortland Street,
Auckland 1010
New Zealand

SOLICITOR

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

REGISTRAR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

CORRESPONDENCE

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

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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 NZ Cash Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as 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 drawn up 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.

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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
INCOME				
Interest income		2,029	2,254	4,373
Net changes in fair value of financial assets at fair value through profit or loss		<u>(64)</u>	<u>(196)</u>	<u>(318)</u>
Total income		<u>1,965</u>	<u>2,058</u>	<u>4,055</u>
EXPENSES				
Management fees expense	8	(207)	(208)	(414)
Miscellaneous expenses		<u>-</u>	<u>-</u>	<u>(1)</u>
Total expenses		<u>(207)</u>	<u>(208)</u>	<u>(415)</u>
Profit before tax		1,758	1,850	3,640
Income tax expense	1	<u>(492)</u>	<u>(518)</u>	<u>(1,019)</u>
Profit after tax		1,266	1,332	2,621
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,266</u>	<u>1,332</u>	<u>2,621</u>
EARNINGS PER UNIT				
Basic and diluted earnings per unit (cents per unit)	4	<u>3.01</u>	<u>3.18</u>	<u>6.26</u>

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

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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		<u>125,538</u>	<u>125,204</u>	<u>125,204</u>
Total comprehensive income for the period/year		<u>1,266</u>	<u>1,332</u>	<u>2,621</u>
Subscriptions from unitholders	6	373	-	449
Distributions to unitholders	5	<u>(1,351)</u>	<u>(1,525)</u>	<u>(2,736)</u>
		<u>(978)</u>	<u>(1,525)</u>	<u>(2,287)</u>
Unitholders' funds at the end of the period/year		<u><u>125,826</u></u>	<u><u>125,011</u></u>	<u><u>125,538</u></u>

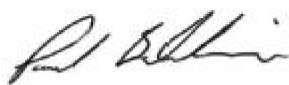
The accompanying notes form part of and should be read in conjunction with these financial statements.

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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		262	1,819	1,307
Receivables		336	516	423
Investments securities held at fair value through profit or loss	2	64,421	69,494	64,375
Bank term deposits	2	<u>61,142</u>	<u>54,165</u>	<u>59,774</u>
TOTAL ASSETS		<u>126,161</u>	<u>125,994</u>	<u>125,879</u>
LIABILITIES				
Management fees payable	8	(3)	(34)	(3)
Taxation payable		(330)	(176)	(336)
Distribution payable to unitholders	5	-	(773)	-
Funds held for unit purchases		(1)	-	(1)
Other current liabilities		<u>(1)</u>	<u>-</u>	<u>(1)</u>
TOTAL LIABILITIES		<u>(335)</u>	<u>(983)</u>	<u>(341)</u>
UNITHOLDERS' FUNDS		<u>125,826</u>	<u>125,011</u>	<u>125,538</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>126,161</u>	<u>125,994</u>	<u>125,879</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.

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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>			
Interest income received	2,088	2,037	4,255
<i>Cash was applied to:</i>			
Management fees paid	(207)	(209)	(446)
Taxation paid	(498)	(522)	(863)
Miscellaneous expenses paid	-	-	(1)
Net cash flows from operating activities	<u>1,383</u>	<u>1,306</u>	<u>2,945</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of investments	83,692	96,979	178,408
Net repayments from the Manager	-	-	1
<i>Cash was applied to:</i>			
Purchase of investments	(85,142)	(97,727)	(179,814)
Net cash flows from investing activities	<u>(1,450)</u>	<u>(748)</u>	<u>(1,405)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Subscriptions received from unitholders	373	-	490
<i>Cash was applied to:</i>			
Distributions paid to unitholders	(1,351)	(1,881)	(3,865)
Net cash flows from financing activities	<u>(978)</u>	<u>(1,881)</u>	<u>(3,375)</u>
Net decrease in cash and cash equivalents	(1,045)	(1,323)	(1,835)
Cash and cash equivalents at the beginning of the period/year	<u>1,307</u>	<u>3,142</u>	<u>3,142</u>
Cash and cash equivalents at the end of the period/year	<u><u>262</u></u>	<u><u>1,819</u></u>	<u><u>1,307</u></u>
Reconciliation of profit after tax to net cash flows from operating activities			
Profit after tax	1,266	1,332	2,621
Net changes in fair value of financial assets at fair value through profit or loss	64	196	318
Increase in accrued interest on term deposits	(28)	(25)	(19)
(Decrease)/increase in taxation payable	(6)	(4)	156
Decrease in management fees payable	-	(1)	(32)
Decrease/(increase) in receivables	87	(192)	(99)
Net cash flows from operating activities	<u><u>1,383</u></u>	<u><u>1,306</u></u>	<u><u>2,945</u></u>

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

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

GENERAL INFORMATION

The NZ Cash 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 purpose 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 15 October 2015 and commenced operation on 6 November 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is an investment fund that aims to outperform the S&P/NZX 90-Day Bank Bill Index (the 'Index') over a rolling one-year period. As prescribed by the Trust Deed, the Fund invests in short-term interest-bearing assets and other cash and cash equivalent investments of all types represented in the Index and any other investments that are consistent with the objectives of the Fund.

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.

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(b) Changes in fair value of financial assets

Changes in financial assets at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period/year end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest income.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its underlying investments as financial assets at fair value through profit or loss. These financial assets are designated at fair value through profit or loss at inception.

The Fund classifies its underlying investments in bank term deposits as loans and receivables. Financial assets classified as loans and receivables are those with fixed or determinable payments that are not quoted in an active market.

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(b) Financial assets designated at fair value through profit or loss

Financial assets 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 Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for arbitrage transactions.

(c) Recognition, derecognition and measurement

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets designated at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

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.

Subsequent to initial recognition, all financial assets 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 at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

Loans and receivables are recognised when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

Loans and receivables are recognised at fair value including directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method less an allowance for impairment where there is objective evidence that an impairment loss on the loans and receivables has been incurred.

(d) Fair value determination

The fair value of financial assets traded in active markets (such as trading securities) 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 price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

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.

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 not falling within the definition of cash. Financing activities are those activities that relate to cash contributions, withdrawals and distributions.

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

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, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

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.

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 February, May, August and November of 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 interest and gains and losses from its investments in securities outlined in Note 2 after the deduction of management fees and other deductible expenses. The Fund pays tax to 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.

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 New Zealand short-term interest-bearing securities and other cash and cash equivalent investments. The Fund receives all of its income from its investments. There was no individual investment that contributed 10% or more of income received for the period ended 30 September 2017 (30 September 2016: none; 31 March 2017: none).

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 period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the period that have a material impact to 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.

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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	(492)	(518)	(1,019)
Total tax expense	(492)	(518)	(1,019)

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

Income tax expense

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Profit before tax	1,758	1,850	3,640
Income tax using the statutory income tax rate 28%	(492)	(518)	(1,019)
Net changes in fair value of financial assets	-	-	-
Non taxable income	-	-	-
Income tax expense as per Statement of Comprehensive Income	(492)	(518)	(1,019)

Imputation credit account (ICA)

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Imputation credits available for use in subsequent periods	492	217	403

2. INVESTMENT SECURITIES AND BANK TERM DEPOSITS

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
<i>Financial assets designated at fair value through profit or loss</i>			
NZ bank bills	16,541	13,005	14,607
NZ corporate bonds	47,880	56,489	49,768
	64,421	69,494	64,375
<i>Loans and receivables</i>			
NZ bank term deposits	61,142	54,165	59,774
	125,563	123,659	124,149

These investments are managed by Nikko Asset Management New Zealand Limited and are registered in the name of BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch, the custodian of the Fund.

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

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.

The fair value of bank term deposits with maturities of up to twelve months is deemed to be equivalent to the face value plus accrued interest and have been categorised as level 2 in the hierarchy.

All financial instruments measured at fair value have been categorised as level 2 in the hierarchy.

There were no transfers between levels in the period ended 30 September 2017 (30 September 2016: none; 31 March 2017: none).

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
Profit after tax (\$'000)	1,266	1,332	2,621
Weighted average number of units ('000)	<u>42,046</u>	<u>41,824</u>	<u>41,866</u>
Basic and diluted earnings per unit (cents per unit)	<u>3.01</u>	<u>3.18</u>	<u>6.26</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Opening distribution payable	-	1,129	1,129
Distributions accrued to unitholders	1,351	1,525	2,736
Distributed to unitholders	<u>(1,351)</u>	<u>(1,881)</u>	<u>(3,865)</u>
Closing distribution payable	<u>-</u>	<u>773</u>	<u>-</u>

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

5. DISTRIBUTION PAYABLE TO UNITHOLDERS (Continued)

Distributions declared and paid

		Distribution per unit (cents per unit)	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
	Year ended				
June 2016 (paid July 2016)	31/03/2017	1.80	-	751	751
September 2016 (paid October 2016)	31/03/2017	1.85	-	773	773
November 2016 (paid December 2016)	31/03/2017	1.21	-	-	506
February 2017 (paid March 2017)	31/03/2017	1.68	-	-	706
May 2017 (paid June 2017)	31/03/2018	1.62	679	-	-
August 2017 (paid September 2017)	31/03/2018	1.60	672	-	-
			<u>1,351</u>	<u>1,524</u>	<u>2,736</u>

6. UNITHOLDERS' FUNDS

As at 30 September 2017 there were 42,099,000 units on issue (30 September 2016: 41,824,000; 31 March 2017: 41,974,000).

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

The number of units allotted during the period ended 30 September 2017 was 125,000 (30 September 2016: nil; 31 March 2017: 150,000 for total value of \$373,000 (30 September 2016: \$nil; 31 March 2017: \$449,000).

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	41,974	41,824	41,824
Subscriptions received during the period/year	<u>125</u>	<u>-</u>	<u>150</u>
Units on issue at the end of the period/year	<u>42,099</u>	<u>41,824</u>	<u>41,974</u>

The net asset value of each unit per the financial statements is \$2.98881 (30 September 2016: \$2.98898; 31 March 2017: \$2.99085). 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.

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

7. MATURITY ANALYSIS

The Fund invests in short-term interest-bearing assets and other cash and cash equivalent investments.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

	30 September 2017			30 September 2016		
	Within 12 months \$'000	Over 12 months \$'000	Total \$'000	Within 12 months \$'000	Over 12 months \$'000	Total \$'000
ASSETS						
Cash and cash equivalents	262	-	262	1,819	-	1,819
Receivables	336	-	336	516	-	516
Investments securities held at fair value through profit or loss	31,687	32,734	64,421	36,259	33,235	69,494
Bank term deposits	<u>61,142</u>	<u>-</u>	<u>61,142</u>	<u>54,165</u>	<u>-</u>	<u>54,165</u>
Total assets	<u>93,427</u>	<u>32,734</u>	<u>126,161</u>	<u>92,759</u>	<u>33,235</u>	<u>125,994</u>
LIABILITIES						
Management fees payable	(3)	-	(3)	(34)	-	(34)
Taxation payable	(330)	-	(330)	(176)	-	(176)
Distribution payable to unitholders	-	-	-	(773)	-	(773)
Funds held for unit purchases	(1)	-	(1)	-	-	-
Other current liabilities	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>(335)</u>	<u>-</u>	<u>(335)</u>	<u>(983)</u>	<u>-</u>	<u>(983)</u>

	31 March 2017		
	Within 12 months \$'000	Over 12 months \$'000	Total \$'000
ASSETS			
Cash and cash equivalents	1,307	-	1,307
Receivables	423	-	423
Investments securities held at fair value through profit or loss	31,678	32,697	64,375
Bank term deposits	<u>59,774</u>	<u>-</u>	<u>59,774</u>
Total assets	<u>93,182</u>	<u>32,697</u>	<u>125,879</u>
LIABILITIES			
Management fees payable	(3)	-	(3)
Taxation payable	(336)	-	(336)
Funds held for unit purchases	(1)	-	(1)
Other current liabilities	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Total liabilities	<u>(341)</u>	<u>-</u>	<u>(341)</u>

NZ CASH FUND

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

8. 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 41,753,936 (31 March 2017: 41,753,936) units valued at \$124,787,000 (31 March 2017: \$124,896,000) in the Fund. As at 30 September 2016, SLSS held 41,753,936 units valued at \$124,778,000 in the Fund.

Distributions

The Fund paid distributions of \$1,342,000 to SLI for the period ended 30 September 2017 (31 March 2017: \$1,207,000). The balance remaining as payable at the end of the period is \$nil (31 March 2017: \$nil). The Fund paid distributions of \$1,522,000 to SLSS for the period ending 30 September 2016 (31 March 2017: \$1,522,000). The balance remaining as payable as at 30 September 2016 was \$772,000. 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, investment manager, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and withdrawal fees and interest earned on cash held for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the period ended 30 September 2017 amounted to \$207,000 (30 September 2016: \$208,000; 31 March 2017: \$414,000), with \$3,000 (30 September 2016: \$34,000; 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 \$1,000 (30 September 2016: \$nil; 31 March 2017: \$2,000).

For the period ended 30 September 2017, total direct purchase application fees amounted to \$nil (30 September 2016: \$nil; 31 March 2017: \$nil).

Other related party transactions

As at 30 September 2017 the Fund had a payable to the Manager of \$nil (30 September 2016: \$1,000; 31 March 2017: \$1,000).

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

9. 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 the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

NZ CASH FUND

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

9. 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	262	1,819	1,307
Receivables	336	516	423
Bank term deposits	61,142	54,165	59,774
<u>Financial assets at fair value through profit and loss</u>			
Investments securities held at fair value through profit or loss	64,421	69,494	64,375
<u>Other financial liabilities</u>			
Management fees payable	(3)	(34)	(3)
Distribution payable to unitholders	-	(773)	-
Funds held for unit purchases	(1)	-	(1)
Other current liabilities	(1)	-	(1)

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

9a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities).

The Fund holds interest-bearing financial assets - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager. This is monitored and reviewed by the Manager on a regular basis.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	30 September 2017					
	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	Total \$'000
ASSETS						
Cash and cash equivalents	262	-	-	-	-	262
Investments securities held at fair value through profit or loss	27,148	4,539	22,666	10,068	-	64,421
Bank term deposits	22,949	38,193	-	-	-	61,142
Total financial assets subject to interest rate risk	50,359	42,732	22,666	10,068	-	125,825

NZ CASH FUND

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

9. FINANCIAL RISK MANAGEMENT (Continued)

30 September 2016						
	Within 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash and cash equivalents	1,819	-	-	-	-	1,819
Investments securities held at fair value through profit or loss	19,657	16,602	10,626	22,609	-	69,494
Bank term deposits	30,847	23,318	-	-	-	54,165
Total financial assets subject to interest rate risk	52,323	39,920	10,626	22,609	-	125,478

31 March 2017						
	Within 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash and cash equivalents	1,307	-	-	-	-	1,307
Investments securities held at fair value through profit or loss	27,148	4,539	22,666	10,068	-	64,421
Bank term deposits	22,949	38,193	-	-	-	61,142
Total financial assets subject to interest rate risk	51,404	42,732	22,666	10,068	-	126,870

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rates with all other variables remaining constant. The analysis is performed on the same basis for 30 September 2016 and 31 March 2017. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on:

- 1) The interest income for the period based on floating rate financial assets held at 30 September 2017.
- 2) Changes in fair value of financial assets for the period based on revaluing fixed rate financial assets at 30 September 2017.

30 September 2017				
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	3	(3)	-	-
Investments securities held at fair value through profit or loss	226	(226)	(71)	72

30 September 2016				
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	18	(18)	-	-
Investments securities held at fair value through profit or loss	181	(181)	(115)	117

NZ CASH FUND

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

9. FINANCIAL RISK MANAGEMENT (Continued)

	31 March 2017			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	13	(13)	-	-
Investments securities held at fair value through profit or loss	468	(468)	(7)	8

9b. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. In situations where a security has different ratings by the agencies, the highest credit rating applies. If a security is not rated by one of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

	30 September 2017			
	AAA to AA-\$'000	A+ to A-\$'000	BBB+ to B-\$'000	Total \$'000
NZ bank bills	-	16,541	-	16,541
NZ corporate bonds	23,279	22,065	2,536	47,880
NZ bank term deposits	37,525	13,662	9,955	61,142
	<u>60,804</u>	<u>52,268</u>	<u>12,491</u>	<u>125,563</u>

	30 September 2016			
	AAA to AA-\$'000	A+ to A-\$'000	BBB+ to B-\$'000	Total \$'000
NZ bank bills	-	13,005	-	13,005
NZ corporate bonds	22,853	21,494	12,142	56,489
NZ bank term deposits	45,782	8,383	-	54,165
	<u>68,635</u>	<u>42,882</u>	<u>12,142</u>	<u>123,659</u>

NZ CASH FUND

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

9. FINANCIAL RISK MANAGEMENT (Continued)

	31 March 2017			
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Total \$'000
NZ bank bills	-	14,607	-	14,607
NZ corporate bonds	19,801	22,477	7,490	49,768
NZ bank term deposits	<u>33,093</u>	<u>16,910</u>	<u>9,771</u>	<u>59,774</u>
	<u>52,894</u>	<u>53,994</u>	<u>17,261</u>	<u>124,149</u>

Cash and cash equivalents

The Fund's cash and cash equivalents are held with ANZ Bank New Zealand Limited ('ANZ') and Westpac New Zealand Limited ('Westpac').

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	2	AA-	775	AA-	5	AA-
Westpac	<u>260</u>	AA-	<u>1,044</u>	AA-	<u>1,302</u>	AA-
	<u>262</u>		<u>1,819</u>		<u>1,307</u>	

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

9c. 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 is able to generate sufficient cash on a timely basis to meet its financial commitments and normal levels of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

10. COMMITMENTS AND CONTINGENCIES

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

11. EVENTS AFTER THE REPORTING YEAR

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

NZ CASH 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	17	47.21	5,602	0.01
1,001 - 5,000	9	25.00	24,084	0.06
5,001 - 10,000	2	5.56	11,882	0.03
10,001 - 50,000	5	13.89	113,153	0.27
50,001 - 100,000	2	5.56	190,279	0.45
Greater than 100,000	1	2.78	41,753,936	99.18
Totals	36	100.00	42,098,936	100.00

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

Full name	Total	Percentage %
SuperLife Nominees Limited	41,753,936	99.18
New Zealand Central Securities Depository Limited	100,000	0.24
Timothy Shephard Walwyn	90,279	0.21
Craigs Investment Partners Limited	47,605	0.11
David Georges Andre Dromer	23,973	0.06
William Peter Stronach Tuckey	16,987	0.04
FNZ Custodians Limited	14,570	0.03
David John Thomas	10,018	0.02
Roger Alan Dodds	6,671	0.02
Stuart Cameron Walter Holehouse	5,211	0.01
FNZ Custodians Limited	4,821	0.01
Theresa Rose Marie Walker	3,392	0.01
Kenneth Moffett	3,392	0.01
Thomas Buettner	3,347	0.01
Grant Neilson Mackenzie	3,059	0.01
Claire Mary Heeran	1,690	-
Margaret Ann Weston & Leslie Karin Marianne Forsyth	1,685	-
Alan Sutcliffe	1,682	-
Pjb Limited	1,016	-
Alfred Christiaan Enslin & Michelle Rene Enslin	661	-
Totals	42,093,995	99.97

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 42,098,936.

Directors' interest in units as at 30 September 2017

	Beneficial	Non - Beneficial
Bevan K. Miller	707*	-
Guy R. Effiffe	14,851*	-
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	-