



AUSTRALIAN DIVIDEND FUND

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

Presented by Smartshares Limited, Manager of the Australian Dividend Fund

AUSTRALIAN DIVIDEND FUND

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AUSTRALIAN DIVIDEND FUND

DIRECTORY

MANAGER

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

This is also the address of the registered office.

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Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
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Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Mark J. Peterson
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (Chair)
Lindsay M. Wright (appointed 26 June 2018)

REGISTRAR

Link Market Services Limited

SUPERVISOR

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

AUDITOR

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

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

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.

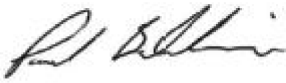
The Australian Dividend Fund (the 'Fund') was created by an establishment deed dated 19 March 2015 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are 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 2018, and the results of its financial performance and cash flows for the period ended 30 September 2018 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 2018.

AUSTRALIAN DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018

		Unaudited Six Months Ended 30 September 2018 \$'000	Unaudited Six Months Ended 30 September 2017 \$'000	Audited Year Ended 31 March 2018 \$'000
	Note			
INCOME				
Dividend income		621	1,823	4,011
Net changes in fair value of financial assets at fair value through profit or loss		<u>1,709</u>	<u>(4,353)</u>	<u>(6,359)</u>
Total income		<u>2,330</u>	<u>(2,530)</u>	<u>(2,348)</u>
EXPENSES				
Management fees expense	6	(73)	(186)	(375)
Foreign exchange loss		(12)	(38)	(283)
Miscellaneous expenses		<u>(4)</u>	<u>(11)</u>	<u>(17)</u>
Total expenses		<u>(89)</u>	<u>(235)</u>	<u>(675)</u>
Profit/(loss) before tax		2,241	(2,765)	(3,023)
Income tax expense	1	<u>(152)</u>	<u>(427)</u>	<u>(941)</u>
Profit/(loss) after tax		2,089	(3,192)	(3,964)
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>2,089</u>	<u>(3,192)</u>	<u>(3,964)</u>
EARNINGS PER UNIT				
Basic and diluted earnings/(losses) per unit (cents per unit)	3	<u>13.20</u>	<u>(7.73)</u>	<u>(9.96)</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 PERIOD ENDED 30 SEPTEMBER 2018

		Unaudited Six Months Ended 30 September 2018 \$'000	Unaudited Six Months Ended 30 September 2017 \$'000	Audited Year Ended 31 March 2018 \$'000
Unitholders' funds at the beginning of the period/year		28,466	70,465	70,465
Total comprehensive income/(loss) for the period/year		<u>2,089</u>	<u>(3,192)</u>	<u>(3,964)</u>
Subscriptions from unitholders	5	1,037	3,833	4,935
Redemptions by unitholders	5	(7,445)	-	(40,596)
Distributions to unitholders	4	<u>(515)</u>	<u>(1,326)</u>	<u>(2,374)</u>
		<u>(6,923)</u>	<u>2,507</u>	<u>(38,035)</u>
Unitholders' funds at the end of the period/year		<u><u>23,632</u></u>	<u><u>69,780</u></u>	<u><u>28,466</u></u>

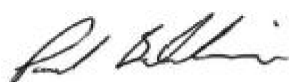
The accompanying notes form part of and should be read in conjunction with these financial statements.

AUSTRALIAN DIVIDEND FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

		Unaudited As At 30 September 2018 \$'000	Unaudited As At 30 September 2017 \$'000	Audited As At 31 March 2018 \$'000
	Note			
ASSETS				
Cash and cash equivalents		495	1,155	746
Receivables		143	471	557
Investments in equity securities at fair value through profit or loss		<u>23,207</u>	<u>68,577</u>	<u>27,872</u>
TOTAL ASSETS		<u>23,845</u>	<u>70,203</u>	<u>29,175</u>
LIABILITIES				
Management fees payable	6	(1)	(3)	(1)
Taxation payable		(126)	(211)	(474)
Deferred tax payable		(40)	(116)	(156)
Funds held for unit purchases		<u>(46)</u>	<u>(93)</u>	<u>(78)</u>
TOTAL LIABILITIES		<u>(213)</u>	<u>(423)</u>	<u>(709)</u>
UNITHOLDERS' FUNDS		<u>23,632</u>	<u>69,780</u>	<u>28,466</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>23,845</u>	<u>70,203</u>	<u>29,175</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 23 November 2018.



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 PERIOD ENDED 30 SEPTEMBER 2018

	Unaudited Six Months Ended 30 September 2018 \$'000	Unaudited Six Months Ended 30 September 2017 \$'000	Audited Year Ended 31 March 2018 \$'000
Note			
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Dividend income received	1,032	1,911	3,984
<i>Cash was applied to:</i>			
Management fees paid	(73)	(186)	(377)
Taxation paid	(613)	(412)	(594)
Miscellaneous expenses paid	(4)	(11)	(17)
Net cash flows from operating activities	342	1,302	2,996
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of investments	8,254	20,980	34,381
<i>Cash was applied to:</i>			
Purchase of investments	(9,099)	(22,133)	(36,318)
Net cash flows from investing activities	(845)	(1,153)	(1,937)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Subscriptions received from unitholders	819	1,163	1,682
<i>Cash was applied to:</i>			
Redemptions paid to unitholders	(52)	-	(765)
Distributions paid to unitholders	(515)	(1,326)	(2,374)
Net cash flows from financing activities	252	(163)	(1,457)
Net decrease in cash and cash equivalents	(251)	(14)	(398)
Cash and cash equivalents at the beginning of the period/year	746	1,174	1,174
Effect of exchange rate fluctuations on cash and cash equivalents	-	(5)	(30)
Cash and cash equivalents at the end of the period/year	495	1,155	746
Reconciliation of profit/(loss) after tax to net cash flows from operating activities			
Profit/(loss) after tax	2,089	(3,192)	(3,964)
Net changes in fair value of financial assets at fair value through profit or loss	(1,709)	4,353	6,359
Foreign exchange loss	12	38	283
(Decrease)/increase in taxation payable	(348)	(21)	242
(Decrease)/increase in deferred tax liability	(116)	25	65
Decrease in management fees payable	-	-	(2)
Decrease in receivables	414	99	13
Net cash flows from operating activities	342	1,302	2,996

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 PERIOD ENDED 30 SEPTEMBER 2018

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 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 1 December 2014 and commenced operations 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 28 September 2018.

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.

Comparative periods

These financial statements are for the period ended 30 September 2018. The comparative figures are for the period 1 April 2017 to 30 September 2017 and year ended 31 March 2018.

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

Assets

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The financial assets are managed and performance is evaluated on a fair value basis. The Manager uses the fair value information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The Fund does not hold any debt securities. Consequently, all investments are measured at fair value through profit or loss.

In accordance with the Fund's documented investment strategy the Manager and the Board of Directors evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(a) 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. 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.

(b) 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.

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(c) Fair value estimation

The fair value of financial instruments traded 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.

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.

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 and financial liabilities 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 on financial assets and financial liabilities 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, which 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 dates for the distributions are the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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 its investments in securities 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 are available. 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 investing in Australian equities. The Fund receives all of its income from its Australian equity investments.

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

The Fund has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2018.

(i) NZ IFRS 9: *Financial Instruments*

The adoption of NZ IFRS 9 has been applied retrospectively and did not result in a change to the classification or measurement of financial instruments, in either the current or prior periods.

Investments in financial assets previously designated at fair value through profit or loss

The Fund holds equity securities which had previously been designated at fair value through profit or loss. On application of NZ IFRS 9 these securities are mandatorily classified as fair value through profit or loss.

(ii) NZ IFRS 15: *Revenue from contracts with customers*

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As these are outside the scope of the new standard, the application of NZ IFRS 15 did not have a material impact on the Fund's financial statements.

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 2018, and were identified as not applicable to the Fund. Therefore they are not included in the financial statements.

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

1. TAXATION

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Tax expense comprises:			
Current tax expense	(268)	(403)	(877)
Prior period adjustment	-	1	1
Deferred tax movement	<u>116</u>	<u>(25)</u>	<u>(65)</u>
Total tax expense	<u>(152)</u>	<u>(427)</u>	<u>(941)</u>

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

Income tax expense

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Profit/(loss) before tax	<u>2,241</u>	<u>(2,765)</u>	<u>(3,023)</u>
Income tax using the statutory income tax rate 28%	<u>(627)</u>	<u>774</u>	<u>846</u>
Net changes in fair value of financial assets and financial liabilities	474	(1,225)	(1,797)
Non-taxable income	5	(26)	(46)
Tax on securities subject to FDR	(9)	(29)	(54)
Gross up of imputation credits	<u>(2)</u>	<u>(31)</u>	<u>(42)</u>
	(159)	(537)	(1,093)
Less imputation credits and other tax credits	7	109	151
Prior period adjustment	<u>-</u>	<u>1</u>	<u>1</u>
Income tax expense as per Statement of Comprehensive Income	<u>(152)</u>	<u>(427)</u>	<u>(941)</u>

Deferred tax

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Opening balance	(156)	(91)	(91)
Current period movement	<u>116</u>	<u>(25)</u>	<u>(65)</u>
Closing balance	<u>(40)</u>	<u>(116)</u>	<u>(156)</u>

Imputation credit account (ICA)

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Imputation credits available for use in subsequent periods	743	436	671

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

2. 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 the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy.

There were no transfers between levels in the period ended 30 September 2018 (30 September 2017: none; 31 March 2018: none).

3. 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 2018	30 September 2017	31 March 2018
Profit/(loss) after tax	2,089	(3,192)	(3,964)
Weighted average number of units ('000)	15,825	41,290	39,812
Basic and diluted earnings/(losses) per unit (cents per unit)	13.20	(7.73)	(9.96)

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
May 2017 (paid June 2017)	31/03/2018	3.22	-	1,326	1,326
November 2017 (paid December 2017)	31/03/2018	2.47	-	-	1,048
May 2018 (paid June 2018)	31/03/2019	2.89	515	-	-
			515	1,326	2,374

5. UNITHOLDERS' FUNDS

As at 30 September 2018 there were 14,179,000 units on issue (30 September 2017: 42,040,000; 31 March 2018: 17,929,000).

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 2018 was 625,000 (30 September 2017: 2,250,000; 31 March 2018: 2,875,000) for total value of \$1,037,000 (30 September 2017: \$3,833,000; 31 March 2018: \$4,935,000).

The number of units redeemed during the period ended 30 September 2018 was 4,375,000 (30 September 2017: nil; 31 March 2018: 24,736,000) for total value of \$7,445,000 (30 September 2017: \$nil; 31 March 2018: \$40,596,000).

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

5. UNITHOLDERS' FUNDS (Continued)

	30 September 2018 '000	30 September 2017 '000	31 March 2018 '000
Movement in the number of units			
Balance at the beginning of the period/year	17,929	39,790	39,790
Subscriptions received during the period/year	625	2,250	2,875
Redemptions made during the period/year	(4,375)	-	(24,736)
Units on issue at the end of the period/year	14,179	42,040	17,929

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$1.66669 (30 September 2017: \$1.65985; 31 March 2018: \$1.58771). Any difference between the net asset value announced to the market for 28 September 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. 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 Invest managed investment scheme ("SLI"), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited held 9,845,445 units (30 September 2017: 38,801,956; 31 March 2018: 13,992,735) valued at \$16,379,000 (30 September 2017: \$64,436,856; 31 March 2018: \$22,187,000) in the Fund.

Distributions

The Fund paid distributions of \$397,000 to SLI for the period ended 30 September 2018 (30 September 2017: \$1,250,000; 31 March 2018: \$2,209,000).

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 direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the period ended 30 September 2018 amounted to \$73,000 (30 September 2017: \$186,000; 31 March 2018: \$375,000) with \$1,000 (30 September 2017: \$3,000; 31 March 2018: \$1,000) of outstanding accrued management fees due to the Manager at the end of the period.

Total direct purchase application fees for the period ended 30 September 2018 amounted to \$nil (30 September 2017: \$2,000; 31 March 2018: \$3,000).

The total interest earned on cash at banks for the period ended 30 September 2018 amounted to \$4,000 (30 September 2017: \$6,000; 31 March 2018: \$12,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the period ended 30 September 2018 was \$nil (30 September 2017: \$nil; 31 March 2018: \$5,000).

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

7. 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.

Financial instruments by category

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
<u>Financial assets at amortised cost</u>			
Cash and cash equivalents	495	1,155	746
Receivables	143	471	557
<u>Financial assets and financial liabilities at fair value through profit and loss</u>			
Investments in equity securities at fair value through profit or loss	23,207	68,577	27,872
<u>Financial liabilities at amortised cost</u>			
Management fees payable	(1)	(3)	(1)
Funds held for unit purchases	(46)	(93)	(78)

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:

7a. 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 2018 would have increased/decreased net profit and unitholder funds by \$2,321,000 (30 September 2017: \$6,858,000; 31 March 2018: \$2,787,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully 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 minimal due to the quality of counterparties dealt with.

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

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Cash and cash equivalents	495	1,155	746
Receivables	143	471	557

AUSTRALIAN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

7. FINANCIAL RISK MANAGEMENT (Continued)

At 30 September 2018, 30 September 2017 and 31 March 2018 all cash and short-term deposits are held with counterparties with a credit rating of A or higher. The Manager considers the probability of default to be minimal as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Cash and cash equivalents

The Fund's cash and cash equivalents are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') 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 excluding bank overdraft with each bank above at the reporting date.

	30 September 2018		30 September 2017		31 March 2018	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	46	AA-	93	AA-	78	AA-
BNP Paribas	32	A	27	A	7	A
Westpac	417	AA-	1,035	AA-	661	AA-
	<u>495</u>		<u>1,155</u>		<u>746</u>	

7c. 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.

7d. 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 2018 would have decreased/increased profit and unitholders funds by \$2,338,000 (30 September 2017: \$6,908,000; 31 March 2018: \$2,844,000).

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

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Australian dollar cash held (NZD)	32	27	7
Receivables	143	471	557
Investment in equity securities	23,207	68,577	27,872

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 30 September 2018 (30 September 2017: nil; 31 March 2018: nil).

9. EVENTS AFTER THE REPORTING YEAR

Since 30 September 2018 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.

AUSTRALIAN DIVIDEND FUND

UNITHOLDER INFORMATION

Distribution of security holders and security holdings as at 30 September 2018

	No. of holders	% of holders	No. of securities	% of securities
1 - 1,000	123	26.28	58,386	0.41
1,001 - 5,000	185	39.53	433,260	3.06
5,001 - 10,000	71	15.17	482,463	3.40
10,001 - 50,000	73	15.60	1,416,751	9.99
50,001 - 100,000	7	1.50	474,853	3.35
Greater than 100,000	9	1.92	11,313,828	79.79
Totals	468	100.00	14,179,541	100.00

20 largest registered holders of quoted equity securities as at 30 September 2018

Full name	Total	Percentage %
SuperLife Nominees Limited	9,845,445	69.44
My Tax Back NZ Limited	602,667	4.25
Philippa Jane Stubbins & Comac Trustee Limited	168,208	1.19
FNZ Custodians Limited	130,147	0.92
Benjamin David Bonoma & Sarah Victoria Bonoma	123,853	0.87
Tracy Barbara Olberg	120,850	0.85
Investment Custodial Services Limited	114,788	0.81
Terence Murray Fleming & Jane Michelle Fleming & Sw Trust Services (Ten) Ltd	105,261	0.74
Bianca Helena Yianni	102,609	0.72
Barbara Anne Bridger	91,450	0.65
Joanna Marie Deighton	75,180	0.53
Robert Lindsay Mellars	71,000	0.50
Matthew Weir	67,087	0.47
Richard George Lane	63,507	0.45
Thierry Adam	55,024	0.39
David Georges Andre Dromer	51,605	0.36
Mark John Scott Mckearney	48,471	0.34
David Martirus Peters	43,372	0.31
Billy Cheung Services Limited	37,168	0.26
Anthony Neil Hooks & Jillian Jeanette Hooks	35,199	0.25
Totals	11,952,891	84.30

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 2018. The total number of units on issue at 30 September 2018 was 14,179,541.

Directors' interest in units as at 30 September 2018

	Beneficial	Non - Beneficial
Mark J. Peterson	-	-
Guy R. Elliffe	1,892*	-
A. John Williams	-	-
Paul J. Baldwin	-	-
Lindsay M. Wright (appointed 26 June 2018)	-	-

*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	1