



NZ CASH FUND

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

Presented by Smartshares Limited, Manager of the NZ Cash Fund

NZ CASH FUND

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NZ CASH FUND

DIRECTORY

MANAGER

Smartshares Limited
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SUPERVISOR

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This is also the address of the registered office.

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Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

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New Zealand

INVESTMENT MANAGER

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Level 9, Vero Centre, 48 Shortland Street
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)

SOLICITOR

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

AUDITOR

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

REGISTRAR

Link Market Services Limited

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.

NZ CASH 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.

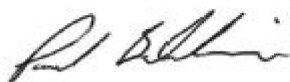
The NZ Cash Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

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 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.

NZ CASH 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				
Interest income		1,804	2,029	3,965
Net changes in fair value of financial assets at fair value through profit or loss		<u>(97)</u>	<u>(64)</u>	<u>(136)</u>
Total income		<u>1,707</u>	<u>1,965</u>	<u>3,829</u>
EXPENSES				
Management fees expense	7	<u>(191)</u>	<u>(207)</u>	<u>(406)</u>
Total expenses		<u>(191)</u>	<u>(207)</u>	<u>(406)</u>
Profit before tax		1,516	1,758	3,423
Income tax expense	1	<u>(424)</u>	<u>(492)</u>	<u>(958)</u>
Profit after tax		1,092	1,266	2,465
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,092</u>	<u>1,266</u>	<u>2,465</u>
EARNINGS PER UNIT				
Basic and diluted earnings per unit (cents per unit)	3	<u>2.84</u>	<u>3.01</u>	<u>5.97</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 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			
Unitholders' funds at the beginning of the period/year		116,246	125,538	125,538
Total comprehensive income for the period/year		<u>1,092</u>	<u>1,266</u>	<u>2,465</u>
Subscriptions from unitholders	5	-	373	730
Redemptions by unitholders	5	(2,118)	-	(9,850)
Distributions to unitholders	4	<u>(1,199)</u>	<u>(1,351)</u>	<u>(2,637)</u>
		<u>(3,317)</u>	<u>(978)</u>	<u>(11,757)</u>
Unitholders' funds at the end of the period/year		<u><u>114,021</u></u>	<u><u>125,826</u></u>	<u><u>116,246</u></u>

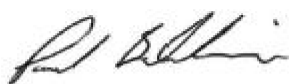
The accompanying notes form part of and should be read in conjunction with these financial statements.

NZ CASH 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		3,016	262	1,028
Bank term deposits		45,523	61,142	58,737
Receivables		299	336	283
Investments in interest-bearing securities at fair value through profit or loss		<u>65,238</u>	<u>64,421</u>	<u>56,845</u>
TOTAL ASSETS		<u>114,076</u>	<u>126,161</u>	<u>116,893</u>
LIABILITIES				
Management fees payable	7	(3)	(3)	(3)
Taxation payable		(51)	(330)	(635)
Funds held for unit purchases		(1)	(1)	(8)
Other current liabilities		<u>-</u>	<u>(1)</u>	<u>(1)</u>
TOTAL LIABILITIES		<u>(55)</u>	<u>(335)</u>	<u>(647)</u>
UNITHOLDERS' FUNDS		<u>114,021</u>	<u>125,826</u>	<u>116,246</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>114,076</u>	<u>126,161</u>	<u>116,893</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.

NZ CASH 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>			
Interest income received	2,226	2,088	3,898
<i>Cash was applied to:</i>			
Management fees paid	(191)	(207)	(406)
Taxation paid	<u>(1,008)</u>	<u>(498)</u>	<u>(659)</u>
Net cash flows from operating activities	<u>1,027</u>	<u>1,383</u>	<u>2,833</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of investments	89,275	83,692	182,603
<i>Cash was applied to:</i>			
Purchase of investments	(84,989)	(85,142)	(173,965)
Net repayments to the Manager	<u>(1)</u>	<u>-</u>	<u>-</u>
Net cash flows from investing activities	<u>4,285</u>	<u>(1,450)</u>	<u>8,638</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Subscriptions received from unitholders	(7)	373	737
<i>Cash was applied to:</i>			
Redemptions paid to unitholders	(2,118)	-	(9,850)
Distributions paid to unitholders	<u>(1,199)</u>	<u>(1,351)</u>	<u>(2,637)</u>
Net cash flows from financing activities	<u>(3,324)</u>	<u>(978)</u>	<u>(11,750)</u>
Net increase/(decrease) in cash and cash equivalents	1,988	(1,045)	(279)
Cash and cash equivalents at the beginning of the period/year	<u>1,028</u>	<u>1,307</u>	<u>1,307</u>
Cash and cash equivalents at the end of the period/year	<u>3,016</u>	<u>262</u>	<u>1,028</u>
Reconciliation of profit after tax to net cash flows from operating activities			
Profit after tax	1,092	1,266	2,465
Net changes in fair value of financial assets at fair value through profit or loss	97	64	136
(Decrease)/increase in taxation payable	(584)	(6)	299
(Increase)/decrease in receivables	(16)	87	140
Decrease/(increase) in accrued interest on term deposits	<u>438</u>	<u>(28)</u>	<u>(207)</u>
Net cash flows from operating activities	<u>1,027</u>	<u>1,383</u>	<u>2,833</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 PERIOD ENDED 30 SEPTEMBER 2018

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 operations 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.

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.

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 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

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 debt securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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

A debt instrument is measured at amortised cost if it held with a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in the category short term fixed interest securities and non-financing receivables including accrued interest and other receivables.

The Fund classifies its underlying investments in bank term deposits as financial assets at amortised cost. Financial assets at amortised cost are those with fixed or determinable payments that are not quoted in an active market.

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 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. Financial assets at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Financial assets 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.

Financial assets, other than those classified at fair value through profit or loss, are recognised at fair value including directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

(b) 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.

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 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, 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.

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

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.

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 February, May, August and November 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 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 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.

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 debt 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 interest income 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.

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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	(424)	(492)	(958)
Total tax expense	(424)	(492)	(958)

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 before tax	1,516	1,758	3,423
Income tax using the statutory income tax rate 28%	(424)	(492)	(958)
Net changes in fair value of financial assets and financial liabilities	-	-	-
Non-taxable income	-	-	-
	(424)	(492)	(958)
Income tax expense as per Statement of Comprehensive Income	(424)	(492)	(958)

Imputation credit account (ICA)

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Imputation credits available for use in subsequent periods	593	492	635

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 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.

The fair value of fixed interest securities at the reporting date are based on binding dealer price quotations and are categorised within level 2.

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

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

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 after tax	1,092	1,266	2,465
Weighted average number of units ('000)	<u>38,447</u>	<u>42,046</u>	<u>41,263</u>
Basic and diluted earnings per unit (cents per unit)	<u>2.84</u>	<u>3.01</u>	<u>5.97</u>

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	1.62	-	679	679
August 2017 (paid September 2017)	31/03/2018	1.60	-	672	672
November 2017 (paid December 2017)	31/03/2018	1.56	-	-	658
February 2018 (paid March 2018)	31/03/2018	1.62	-	-	628
May 2018 (paid June 2018)	31/03/2019	1.56	607	-	-
August 2018 (paid September 2018)	31/03/2019	1.55	591	-	-
			<u>1,198</u>	<u>1,351</u>	<u>2,637</u>

5. UNITHOLDERS' FUNDS

As at 30 September 2018 there were 38,214,000 units on issue (30 September 2017: 42,099,000; 31 March 2018: 38,924,000).

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 nil (30 September 2017: 125,000; 31 March 2018: 245,000) for total value of \$nil (30 September 2017: \$373,000; 31 March 2018: \$730,000).

The number of units redeemed during the period ended 30 September 2018 was 710,000 (30 September 2017: nil; 31 March 2018: 3,295,000) for total value of \$2,118,000 (30 September 2017: \$nil; 31 March 2018: \$9,850,000).

	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	38,924	41,974	41,974
Subscriptions received during the period/year	-	125	245
Redemptions made during the period/year	<u>(710)</u>	<u>-</u>	<u>(3,295)</u>
Units on issue at the end of the period/year	<u>38,214</u>	<u>42,099</u>	<u>38,924</u>

The net asset value of each unit per the financial statements is \$2.98375 (30 September 2017: \$2.98881; 31 March 2018: \$2.98649). 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.

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

6. 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 2018			30 September 2017		
	Within 12 months	Over 12 months	Total	Within 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash and cash equivalents	3,016	-	3,016	262	-	262
Bank term deposits	45,523	-	45,523	61,142	-	61,142
Receivables	299	-	299	336	-	336
Investments in interest-bearing securities at fair value through profit or loss	41,680	23,558	65,238	31,687	32,734	64,421
Total assets	90,518	23,558	114,076	93,427	32,734	126,161
LIABILITIES						
Management fees payable	(3)	-	(3)	(3)	-	(3)
Taxation payable	(51)	-	(51)	(330)	-	(330)
Funds held for unit purchases	(1)	-	(1)	(1)	-	(1)
Other current liabilities	-	-	-	(1)	-	(1)
Total liabilities	(55)	-	(55)	(335)	-	(335)

	31 March 2018		
	Within 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000
ASSETS			
Cash and cash equivalents	1,028	-	1,028
Bank term deposits	58,737	-	58,737
Receivables	283	-	283
Investments in interest-bearing securities at fair value through profit or loss	28,485	28,360	56,845
Total assets	88,533	28,360	116,893
LIABILITIES			
Management fees payable	(3)	-	(3)
Taxation payable	(635)	-	(635)
Funds held for unit purchases	(8)	-	(8)
Other current liabilities	(1)	-	(1)
Total liabilities	(647)	-	(647)

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

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 Invest managed investment scheme ("SLI"), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited held 37,959,136 units (30 September 2017: 41,753,936; 31 March 2018: 38,542,636) valued at \$113,247,000 (30 September 2017: \$124,787,000; 31 March 2018: \$115,093,000) in the Fund.

Distributions

The Fund paid distributions of \$1,190,000 to SLI for the period ended 30 September 2018 (30 September 2017: \$1,342,000; 31 March 2018: \$2,618,000).

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 interest earned on cash retained for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the period ended 30 September 2018 amounted to \$191,000 (30 September 2017: \$207,000; 31 March 2018: \$406,000) with \$3,000 (30 September 2017: \$3,000; 31 March 2018: \$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 2018 amounted to \$1,000 (30 September 2017: \$1,000; 31 March 2018: \$3,000).

Other related party transactions

As at 30 September 2018 the Fund had a payable to the Manager of \$nil (30 September 2017: payable to the Manager of \$1,000; 31 March 2018: payable to the Manager of \$1,000).

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).

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 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	3,016	262	1,028
Bank term deposits	45,523	61,142	58,737
Receivables	299	336	283
<u>Financial assets and financial liabilities at fair value through profit and loss</u>			
Investments in interest-bearing securities at fair value through profit or loss	65,238	64,421	56,845

NZ CASH FUND

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

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
<i>Financial liabilities at amortised cost</i>			
Management fees payable	(3)	(3)	(3)
Funds held for unit purchases	(1)	(1)	(8)
Other current liabilities	-	(1)	(1)

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

8a. 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 and liabilities - 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.

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 2018						
	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 at banks	3,016	-	-	-	-	3,016
Interest-bearing securities	24,744	16,936	19,657	3,901	-	65,238
Bank term deposits	18,299	27,224	-	-	-	45,523
Total financial assets subject to interest rate risk	46,059	44,160	19,657	3,901	-	113,777
LIABILITIES						

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 at banks	262	-	-	-	-	262
Interest-bearing securities	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
LIABILITIES						

NZ CASH FUND

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

8. FINANCIAL RISK MANAGEMENT (Continued)

31 March 2018

	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	1,028	-	-	-	-	1,028
Interest-bearing securities	18,502	9,984	20,951	7,408	-	56,845
Bank term deposits	40,712	18,025	-	-	-	58,737
Total financial assets subject to interest rate risk	60,242	28,009	20,951	7,408	-	116,610

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 2017 and 31 March 2018. 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 2018.
- 2) Changes in fair value of investments for the period based on revaluing fixed rate financial assets at 30 September 2018.

30 September 2018

	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	30	(30)	-	-
Interest-bearing securities	220	(220)	(58)	59

30 September 2017

	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	3	(3)	-	-
Interest-bearing securities	226	(226)	(71)	72

31 March 2018

	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	10	(10)	-	-
Interest-bearing securities	753	(753)	(23)	23

NZ CASH FUND

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

8. FINANCIAL RISK MANAGEMENT (Continued)

8b. 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. If a security is not rated by any of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

	30 September 2018			
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Total \$'000
NZ bank bills	16,958	2,983	-	19,941
NZ corporate bonds	20,277	16,458	8,562	45,297
NZ bank term deposits	<u>21,763</u>	<u>13,367</u>	<u>10,393</u>	<u>45,523</u>
	<u>58,998</u>	<u>32,808</u>	<u>18,955</u>	<u>110,761</u>

	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	<u>37,525</u>	<u>13,662</u>	<u>9,955</u>	<u>61,142</u>
	<u>60,804</u>	<u>52,268</u>	<u>12,491</u>	<u>125,563</u>

	31 March 2018			
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Total \$'000
NZ bank bills	16,629	-	-	16,629
NZ corporate bonds	15,117	14,210	10,889	40,216
NZ bank term deposits	<u>22,682</u>	<u>25,913</u>	<u>10,142</u>	<u>58,737</u>
	<u>54,428</u>	<u>40,123</u>	<u>21,031</u>	<u>115,582</u>

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 AA- 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.

NZ CASH FUND

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

8. FINANCIAL RISK MANAGEMENT (Continued)

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 2018		30 September 2017		31 March 2018	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	2	AA-	2	AA-	9	AA-
Westpac	<u>3,014</u>	AA-	<u>260</u>	AA-	<u>1,019</u>	AA-
	<u>3,016</u>		<u>262</u>		<u>1,028</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 is able to generate sufficient cash on a timely manner to meet its financial commitments and normal level 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.

9. COMMITMENTS AND CONTINGENCIES

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

10. 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.

NZ CASH 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	22	48.90	9,149	0.02
1,001 - 5,000	11	24.44	28,165	0.08
5,001 - 10,000	4	8.89	22,612	0.06
10,001 - 50,000	6	13.33	113,445	0.30
50,001 - 100,000	1	2.22	81,429	0.21
Greater than 100,000	1	2.22	37,959,136	99.33
Totals	45	100.00	38,213,936	100.00

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

Full name	Total	Percentage %
Superlife Nominees Limited	37,959,136	99.33
Izak Andries Delpont Van Blerk & Petronella Erendina Van Blerk	81,429	0.21
David Georges Andre Dromer	27,558	0.07
Craigs Investment Partners Limited	25,980	0.07
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	16,672	0.04
Timothy James Hunter & Anna Waring Hunter	16,672	0.04
Vicki Patricia Holmes & Kenneth Mark Holmes & NZ Trustee Services Limited	13,565	0.04
Daniel James King	12,998	0.03
Roger Alan Dodds	6,812	0.02
James Punnett	5,426	0.01
Stuart Cameron Walter Holehouse	5,322	0.01
Alistair Ian Haslett	5,052	0.01
Natalie Ann Wihongi	5,000	0.01
Kenneth Moffett	3,464	0.01
Thomas Buettner	3,418	0.01
Deborah Mary Griffin	3,317	0.01
Grant Neilson Mackenzie	3,124	0.01
Claire Mary Heeran	2,133	0.01
Susan Judith Bolam	1,865	-
Margaret Ann Weston & Leslie Karin Marianne Forsyth	1,721	-
Alan Sutcliffe	1,718	-
Totals	38,202,382	99.94

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 38,213,936.

Directors' interest in units as at 30 September 2018

	Beneficial	Non - Beneficial
Mark J. Peterson	-	-
Guy R. Elliffe	15,876*	-
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