



**SMARTSHARES LIMITED**  
**ANNUAL REPORT 2016**

VOLUME 1 – TNZ, FNZ, MDZ, MZY, OZY



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# Chairman's Report

## Smartshares 2016 Annual Report

Dear Unitholder,

I am pleased to present the Smartshares Annual Report for 2016, covering the 23 Exchange Traded Funds (ETFs) that are now offered by Smartshares.

As the pioneer of ETFs in New Zealand, Smartshares is committed to developing products that provide investors with a range of diversified, low-cost and easily accessible investment options.

The past 12 months have been the most exciting in Smartshares history, with the business going through exponential growth, as we executed on our strategy to broaden the ETF product offering. Smartshares launched 18 ETFs from December 2014 to November 2015, bringing the total number on offer to 23. This follows NZX's acquisition of superannuation and KiwiSaver provider, SuperLife, in January 2015.

The launch of the new ETFs marked a turning point in the New Zealand ETF landscape. For the first time investors were able to invest in ETFs across all the main asset classes - cash, bonds, shares and property. Smartshares offers New Zealand's widest range of passive funds, enabling investors to create personalised, globally diversified portfolios, using New Zealand currency. Smartshares' ETFs can provide investors with access to global markets including the US, Australia, Europe and Asia.

NZX was attracted to SuperLife because of the strong alignment between Smartshares and SuperLife given SuperLife's passive investment philosophy, as well as its strong growth prospects in New Zealand's broader funds management industry, particularly its KiwiSaver offering. This investment has been the catalyst for the growth in Smartshares' suite of funds and has helped drive total Smartshares funds under management to more than \$1.5 billion as of 31 March 2016.

Both Smartshares and SuperLife are now wholly-owned subsidiaries of NZX and the intention is that the two legal entities will be amalgamated later this year as part of the transition to the Financial Markets Conduct Act regime.

To further integrate NZX's funds management business, the Smartshares team was relocated from Wellington to Auckland earlier this year. This is to ensure greater operational capability across Smartshares and SuperLife, which is also Auckland based. From June, both businesses will be based in NZX's Auckland office at Zurich House, Queen Street, alongside staff from NZX's markets and agri teams. While these businesses are managed separately, NZX's portfolio of businesses continue to benefit from the connections between them.

Having completed a rapid phase of product development in 2015, in 2016 our efforts are focussed on promoting the benefits of passive funds and marketing our comprehensive suite of ETFs to retail and wholesale investors.

### GOVERNANCE UPDATE

In November 2015 we welcomed Guy Elliffe and John Williams as independent directors on the Smartshares board, joining NZX CEO Tim Bennett and myself as directors. Guy and John have quickly made a valuable contribution to Smartshares, bringing extensive industry experience helping us continue to grow the business.

I would also like to acknowledge NZX Head of Compliance Kristin Brandon who stepped down from the board at the same time that Guy and John joined. Kristin made a hugely valuable contribution to the Smartshares business while on the board and continues to do so in her ongoing role at NZX.

In concluding, as always, I would like to thank you for your investment in Smartshares.



**BEVAN MILLER**

Chairman

# Smartshares – Summary of Funds

					GROSS FUND PERFORMANCE*		
Fund Name	Launch Date	Management Fee p.a.	Distribution Payment Date	Funds Under Management as at 31 March 2016	1 Year**	3 Years Annualised	5 Years Annualised
SMART LARGE							
New Zealand Top 50 (FNZ)	10 Dec 2004	0.75%	Apr/Oct	\$212,967,510	15.21%	15.55%	14.01%
New Zealand Top 10 (TNZ)	11 Jun 1996	0.60%	Apr/Oct	\$68,255,185	17.88%	13.80%	13.19%
Australian Top 20 (OZY)	27 Feb 1997	0.60%	Apr/Oct	\$83,337,063	-9.27%	-1.74%	-0.41%
US 500 (USF)	29 Jul 2015	0.30% ***	Feb/May/Aug/Nov	\$79,782,474	-3.69%		
Europe (EUF)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$82,113,642	-13.18%		
Asia Pacific (APA)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$40,416,248	-9.41%		
Emerging Markets (EMF)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$31,824,544	-10.51%		
Total World (TWF)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$25,490,827	-8.34%		
US Large Value (USV)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$31,197,425	-3.38%		
US Large Growth (USG)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$31,864,468	-5.89%		
SMART MEDIUM							
New Zealand Mid Cap (MDZ)	16 Jun 1997	0.75%	Apr/Oct	\$63,807,801	15.80%	18.43%	17.23%
Australian Mid Cap (MZY)	27 Sep 2004	0.75%	Apr/Oct	\$74,373,192	9.97%	6.16%	1.41%
US Mid Cap (USM)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$24,217,463	-6.98%		
SMART SMALL							
US Small Cap (USS)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$23,368,619	-9.01%		
SMART SECTOR							
New Zealand Property (NPF)	12 Nov 2015	0.54%	Jan/Apr/Jul/Oct	\$44,587,898	8.70%		
Australian Property (ASP)	16 Dec 2014	0.54%	Jan/Apr/Jul/Oct	\$42,862,234	17.38%		
Australian Resources (ASR)	7 Apr 2015	0.54%	Apr/Oct	\$17,303,094	-17.26%		
Australian Financials (ASF)	7 Apr 2015	0.54%	Jan/Apr/Jul/Oct	\$19,980,921	-10.00%		
SMART DIVIDEND							
Australian Dividend (ASD)	16 Dec 2014	0.54%	Jan/Apr/Jul/Oct	\$61,165,304	-7.82%		
New Zealand Dividend (DIV)	7 Apr 2015	0.54%	Jan/Apr/Jul/Oct	\$24,805,468	14.61%		
SMART INCOME							
Global Bond (GBF)	12 Nov 2015	0.54%	Jan/Apr/Jul/Oct	\$123,132,059	3.11%		
New Zealand Bond (NZB)	12 Nov 2015	0.54%	Jan/Apr/Jul/Oct	\$199,512,393	2.22%		
New Zealand Cash (NZC)	12 Nov 2015	0.33%	Jan/Apr/Jul/Oct	\$125,204,553	1.06%		
Total Smartshares Funds				\$1,531,570,386			

\* Assumes full dividend reinvestment  
\*\* Or since launch date if less than 1 year  
\*\*\* The Smartshares management fee is charged in addition to fees and expenses (including an underlying management fee) paid out of the underlying Vanguard fund. The underlying US listed Vanguard ETF total expenses are as follows: Smartshares US 500 (USF) 0.05%, US Large Growth (USG) 0.08%, US Large Value (USV) 0.08%, US Mid Cap (USM) 0.08%, US Small Cap (USS) 0.08%, Asia Pacific (APA) 0.12%, Emerging Markets (EMF) 0.12%, Europe (EUF) 0.15% and Total World (TWF) 0.14%. Correct as at 26/5/2016.

# NZX 50 Portfolio Index Fund (FNZ)

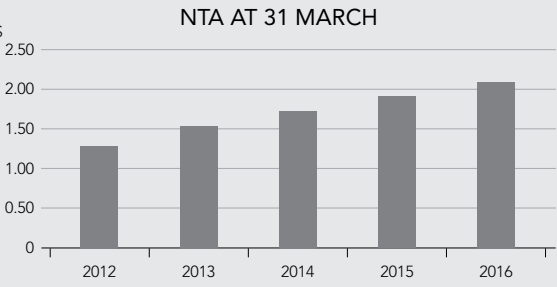
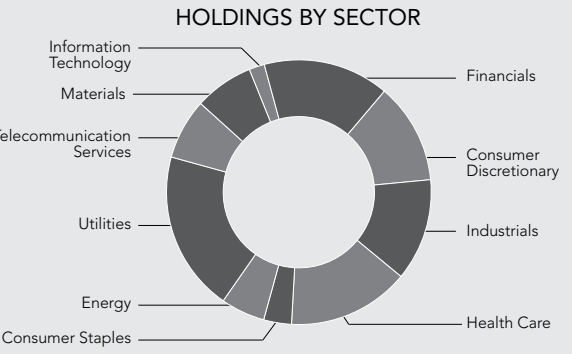
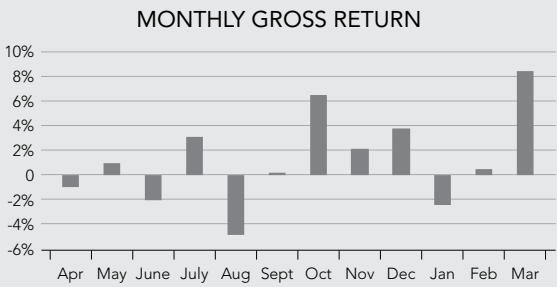
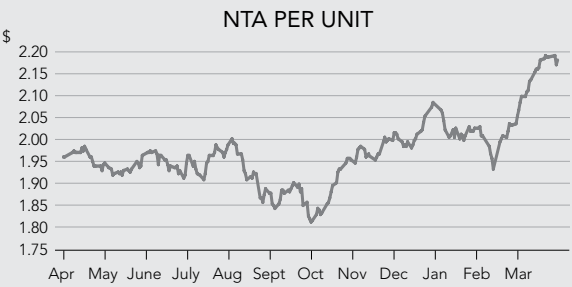
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016  
Presented by Smartshares Limited, Manager of the NZX 50 Portfolio Index Fund

## Report to Unitholders

### HIGHLIGHTS

Launch Date 10-Dec-04

	March 2016	March 2015
Net Tangible Assets (NTA)	\$2.124	\$1.936
Units On Issue	100,274,271	80,174,271
Funds Under Management	\$212,967,510	\$155,239,837
Full Year Gross Distribution	\$0.096	\$0.087
Gross Distribution Yield	4.53%	4.50%
Gross Return	15.21%	17.37%
Fees	0.75%	0.75%
Distributions paid	Semi-annually	



## DIRECTORY

### THE MANAGER

Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

This is also the address of the registered office.

### DIRECTORS OF THE MANAGER

Bevan K. Miller  
Kristin A. Brandon (resigned 6 Nov 2015)  
Timothy O. Bennett  
Guy R. Elliffe (appointed 6 Nov 2015)  
A. John Williams (appointed 6 Nov 2015)

### SOLICITORS

Buddle Findlay  
Level 17, State Insurance Tower  
1 Willis Street, Wellington 6140  
NEW ZEALAND

### INVESTMENT CUSTODIAN

JB Were (NZ) Nominees Limited

### AUDITOR

KPMG  
10 Customhouse Quay  
PO Box 996, Wellington 6140  
NEW ZEALAND

### REGISTRAR

Link Market Services Limited

### THE TRUSTEE

The New Zealand Guardian Trust Company Limited  
Level 13, 191 Queen Street  
PO Box 1934, Shortland Street, Auckland 1010  
NEW ZEALAND

### DIRECTORS OF THE TRUSTEE

Andrew H. Barnes  
James E. Douglas  
Robin A. Flannagan  
Timothy J. Shaw  
Christopher R. Darlow (appointed 10 Feb 2015; resigned 20 Aug 2015)

### THE INVESTMENT MANAGER

Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

### INVESTMENT ADMINISTRATOR

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.

All correspondence and enquiries to the Trustee about the Fund should be addressed to the Trustee, The New Zealand Guardian Trust Company Limited, at the above address.

The Manager and the Trustee are parties to a Trust Deed dated 15 October 2004 (the 'Trust Deed') which sets out the terms and conditions on which units in unit trusts managed by the Manager will be offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each unit trust is to be established by the Manager and the Trustee entering into a Unit Trust Establishment Deed setting out the specific terms and conditions relating to that Trust.

The Manager has resolved to establish a Unit Trust to be known as NZX 50 Portfolio Index Fund and the Trustee and the Manager have entered into a Trust Deed for the purpose of establishing the Unit Trust and the terms and conditions applicable to it.

**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'), give a true and fair view of the financial position of the Fund as at 31 March 2016, and of the results of its financial performance and cash flows for the year ended 31 March 2016 in accordance with the requirement of the Trust Deed dated 15 October 2004.

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 27 May 2016.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016**

		<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
	<b>Note</b>		
<b>INCOME</b>			
Dividend income		8,974	6,785
Securities lending income		62	84
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		18,494	15,414
Foreign exchange gain		<u>2</u>	<u>-</u>
<b>Total investment income</b>		<b>27,532</b>	<b>22,283</b>
<b>EXPENSES</b>			
Management fee expense	7	<u>1,342</u>	<u>1,076</u>
<b>Total expenses</b>		<b>1,342</b>	<b>1,076</b>
<b>Profit before tax</b>		<b>26,190</b>	<b>21,207</b>
Income tax expense	1	<u>336</u>	<u>91</u>
<b>Total income tax expense</b>		<b>336</b>	<b>91</b>
<b>Profit after tax</b>		<b>25,854</b>	<b>21,116</b>
<b>Total comprehensive income</b>		<b><u>25,854</u></b>	<b><u>21,116</u></b>
<b>EARNINGS PER UNIT</b>			
Basic and diluted earnings per unit (cents per unit)	4	<u><u>27.38</u></u>	<u><u>27.02</u></u>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2016

		For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
Unitholders' funds at beginning of the year		153,702	127,902
Profit after tax		<u>25,854</u>	<u>21,116</u>
Total comprehensive income for the year		25,854	21,116
Subscriptions from Unitholders	6	40,198	18,615
Redemptions by Unitholders	6	(1,509)	(8,406)
Distributions to Unitholders	5	<u>(7,659)</u>	<u>(5,525)</u>
		31,030	4,684
Unitholders' funds at the end of the year		<u><u>210,586</u></u>	<u><u>153,702</u></u>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2016**

		As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
	Note		
<b>ASSETS</b>			
Cash and cash equivalents		5,343	4,137
Receivables		1,600	1,241
Investments in equity securities held at fair value	2	210,107	153,330
Other current assets		<u>18</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<b><u>217,068</u></b>	<b><u>158,708</u></b>
<b>LIABILITIES</b>			
Management fees payable	7	133	102
Taxation payable		166	49
Funds held for unit purchases		354	301
Distribution payable to Unitholders	5	5,829	4,542
Other current liabilities		<u>-</u>	<u>12</u>
<b>TOTAL LIABILITIES</b>		<b><u>6,482</u></b>	<b><u>5,006</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>210,586</u></b>	<b><u>153,702</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>217,068</u></b>	<b><u>158,708</u></b>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the Financial Statements on 27 May 2016.



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B Miller  
Chairman  
Smartshares Limited



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G Elliffe  
Director  
Smartshares Limited

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Dividend income received	8,615	6,308
Securities lending income received	62	78
<i>Cash was applied to:</i>		
Management fees paid	(1,311)	(1,058)
Taxation paid	(219)	(134)
<b>Net cash flows from operating activities</b>	<b>7,147</b>	<b>5,194</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of investments	32,458	11,421
<i>Cash was applied to:</i>		
Purchase of investments	(37,285)	(19,288)
Net repayments from/(to) the Manager	-	5
<b>Net cash flows from investing activities</b>	<b>(4,827)</b>	<b>(7,862)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions received from Unitholders	5,290	7,623
<i>Cash was applied to:</i>		
Redemptions paid to Unitholders	(32)	-
Distribution paid to Unitholders	(4,387)	(2,864)
Distribution paid for dividend reinvestment	(1,985)	(1,417)
<b>Net cash flows from financing activities</b>	<b>(1,114)</b>	<b>3,342</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,206</b>	<b>674</b>
Cash and cash equivalents at beginning of year	4,137	3,463
<b>Cash and cash equivalents at the end of year</b>	<b>5,343</b>	<b>4,137</b>
<b>Reconciliation profit after tax to net cash flows from operating activities</b>		
Profit after tax	25,854	21,116
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(18,494)	(15,414)
Net changes on foreign exchange	(2)	-
Increase in taxation payable	117	61
Increase in deferred tax liability	-	(103)
Increase in management fees payable	31	17
(Increase) in receivables	(359)	(483)
<b>Net cash flows from operating activities</b>	<b>7,147</b>	<b>5,194</b>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### GENERAL INFORMATION

The NZX 50 Portfolio Index Fund (the 'Fund') is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 15 October 2004. The fund is a listed issuer and therefore under the Financial Markets Conduct Act 2013 ('FMC') an FMC reporting entity for purposes of the Financial Reporting Act 2013. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders. Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. All changes in the value of investments, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund commenced operations on 10 December 2004.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The fund is a passive investment fund that tracks the NZX 50 Portfolio Index (the 'Index'). As prescribed by the Trust Deed, the Fund only invests in the securities included in the Index in proportion to the market capitalisation of the Index and the available capital of the Fund. The Fund's units are quoted on the NZX Main Board. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 31 March 2016 (see Note 2).

### STATEMENT OF ACCOUNTING POLICIES

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

#### Comparative amounts

Where necessary, comparative figures have been restated to correspond to the current year classifications.

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with NZ GAAP, which is the New Zealand equivalent 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 and financial liabilities 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 and financial liabilities at fair value through profit or loss

##### (a) Classification

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

##### (b) Recognition/derecognition

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

##### (c) Measurement

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

##### (d) Fair value estimation

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

#### Receivables

Trade receivable 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**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 on non-monetary financial assets and financial liabilities such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss.

**Cash and cash equivalents**

Cash and cash equivalents are considered to be cash on hand and current accounts in 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 are those activities that relate to cash contributions to and from, or cash distributions to the unitholders.

**Units**

The Fund issues units, which provide the holder with a residual 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 Prospectus, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

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

**Dividend income**

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

**Distributions payable to holders of units**

Income from investments held is attributed to unitholders on the basis of the number of units held at the Record Date of the unitholder distribution. Proposed distributions to unitholders are recognised when they become payable as outlined in the Trust Deed.

Distributions to unitholders are currently made on a semi-annual basis directly from the Fund within 20 Business Days of the Record Date. The Record Date for the Fund is on or around the last Business Day of each of March and September in any year.

**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 entities subject to the Fair Dividend Rate method ('FDR'), if any) from the entities listed in Note 2 after the deduction of management fees. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to unitholders are imputed to the extent permitted by the imputation credits that the Directors of the entity determine are available.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position 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.

**Securities lending**

The Fund enters into Securities Lending transactions whereby it transfers assets recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. As all or substantially all risks and rewards are retained, the transferred assets are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**Segment information**

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all its revenue from its New Zealand equity investments. One individual equity investment contributed 10% or more of the Fund's dividend income for the year ended 31 March 2016. The dividend income from this investment was \$1,100,000 (31 March 2015: \$NIL).

**Changes in accounting standards and accounting standards adopted during the year**

**(a) Changes in accounting policies**

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

**(b) New accounting standards adopted**

There were no new accounting standards adopted during the year 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 31 March 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

1. TAXATION

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
<b>Tax expense comprises:</b>		
Current tax expense	(336)	(165)
Prior period adjustment	-	(29)
Deferred tax movement	-	103
<b>Total tax expense</b>	<b>(336)</b>	<b>(91)</b>

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

<b>Income tax expense</b>		
	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
Profit before tax	26,190	21,207
<b>Income tax using the statutory income tax rate 28%</b>	<b>(7,333)</b>	<b>(5,938)</b>
Net changes in fair value of financial assets and financial liabilities	5,178	4,316
Non taxable income	142	130
Tax on securities subject to FDR	(38)	(52)
Gross up of imputation credits	(667)	(618)
Accrued dividend movement	-	(108)
	<b>(2,718)</b>	<b>(2,270)</b>
Add imputation credits and other tax credits	2,382	2,208
Prior period adjustment	-	(29)
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b>(336)</b>	<b>(91)</b>

<b>Deferred tax</b>		
	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Opening balance	-	103
Current period movements	-	(103)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

<b>Imputation credit account (ICA)</b>		
	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Imputation credits available for use in subsequent periods	992	738

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE**

	<b>As at 31 March 2016</b>		<b>As at 31 March 2015</b>	
	<b>Number of Shares</b>	<b>Fair Value NZD</b>	<b>Number of Shares</b>	<b>Fair Value NZD</b>
	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>
<b>Underlying Securities</b>				
Auckland International Airport Limited	1,507	9,691	1,588	7,146
Air New Zealand Limited	1,693	4,843	1,463	3,987
Australia and New Zealand Banking Group Limited	67	1,732	54	2,009
Argosy Property Trust	2,601	3,082	2,222	2,533
The A2 Milk Company Limited	2,322	4,411	1,504	842
Contact Energy Limited	2,290	11,448	965	5,773
Chorus Limited	1,272	5,102	1,100	3,134
Coats Group PLC	1,877	1,088	2,027	993
Dilligent Board Member Services INC	283	1,987	241	1,302
DNZ Property Fund Limited	-	-	825	1,608
EBOS Group Limited	267	4,595	253	2,704
Fletcher Building Limited	1,356	10,699	907	7,637
Fisher & Paykel Healthcare Corporation Limited	1,121	10,984	1,548	10,187
Freightways Limited	497	3,155	429	2,688
Fonterra Shareholders Fund	334	1,983	335	1,868
Goodman Property Trust	3,351	4,423	2,822	3,373
Genesis Energy Limited	1,541	3,159	1,294	2,898
Heartland New Zealand Limited	1,384	1,674	1,176	1,506
Infratil Limited	1,805	5,921	1,560	4,958
Kiwi Income Property Trust	4,097	5,921	3,160	4,092
Kathmandu Holdings Limited	517	854	559	771
Meridian Energy Limited	3,867	10,131	3,483	7,054
Metlifecare Limited	410	2,153	327	1,545
Mainfreight Limited	269	4,258	231	3,579
Metro Performance Glass Limited	463	778	399	729
Mighty River Power Limited	2,078	6,067	1,760	5,456
Nuplex Industries Limited	605	3,148	550	1,759
New Zealand Refining Company Limited	462	1,431	-	-
NZX Limited	860	878	709	787
Orion Health Group Limited	205	712	153	728
Precinct Properties New Zealand Limited	3,227	4,050	2,721	3,197
Pacific Edge Limited	-	-	884	681
Property For Industry Limited	1,437	2,350	1,142	1,798
Port of Tauranga Limited	201	3,688	173	2,936
Restaurant Brands NZ Limited	298	1,450	271	1,097
Ryman Healthcare Limited	1,229	10,266	834	6,536
Sky City Entertainment Group Limited	1,904	9,537	1,221	5,006
Skellerup Holdings Limited	582	745	535	760
Sky Network Television Limited	1,249	6,221	1,080	6,381
Spark New Zealand Limited (Formerly: Telecom Corporation NZ Limited)	2,837	10,356	1,986	5,918
Steel & Tube Holdings Limited	291	645	245	700
Stride Property Limited	1,170	2,585	-	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

2 INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE (Continued)

	As at 31 March 2016		As at 31 March 2016	
	Number of Shares '000	Fair Value NZD \$'000	Number of Shares '000	Fair Value NZD \$'000
Summerset Group Holdings Limited	707	3,132	606	2,013
Trade Me Group Limited	1,275	5,624	1,101	4,074
TrustPower Limited	223	1,708	138	1,099
Tower Limited	542	965	488	1,131
Vector Limited	799	2,621	679	2,092
Vital Healthcare Property Trust	842	1,718	720	1,239
Westpac Banking Corporation	86	2,875	74	3,008
The Warehouse Group Limited	301	872	260	691
Xero Limited	241	3,724	245	5,911
Z Energy Limited	1,284	8,667	666	3,416
		<u>210,107</u>		<u>153,330</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of Investments are calculated using the last traded market price on the balance sheet date. The investments are registered in the name of JB Were (NZ) Nominees Limited, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

All financial instruments measured at fair value of the Fund have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2016 (31 March 2015: \$Nil).

4. EARNINGS PER UNIT

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

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

	For the Year ended 31 March 2016	For the Year ended 31 March 2015
Profit after tax (\$'000)	25,854	21,116
Weighted average number of units ('000)	<u>94,424</u>	<u>78,136</u>
Basic and diluted earnings per unit (cents per unit)	<u>27.38</u>	<u>27.02</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Opening distributions payable	4,542	3,298
Distributions accrued to Unitholders	7,659	5,525
Distributed to Unitholders	(6,372)	(4,281)
<b>Closing distribution payable</b>	<b><u>5,829</u></b>	<b><u>4,542</u></b>

**Dividends declared and paid**

	Year ended	Dividend per unit (cents per unit)	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
March 2014 (paid April 2014))	31/03/2014	2.63	-	1,964
September 2014 (paid October 2014)	31/03/2015	3.01	-	2,317
March 2015 (paid April 2015)	31/03/2015	3.25	2,609	-
September 2015 (paid October 2015)	31/03/2016	<u>4.00</u>	<u>3,763</u>	<u>-</u>
			<b><u>6,372</u></b>	<b><u>4,281</u></b>

**Dividends declared and not paid**

March 2016 (paid April 2016)	31/03/2016	3.05	3,062
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**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 100,274,000 units on issue (31 March 2015: 80,174,000).

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 year ended 31 March 2016 was 20,900,000 (31 March 2015: 10,380,000) for total value of \$40,198,000 (31 March 2015: \$18,615,000).

The number of units redeemed during the year ended 31 March 2016 was 800,000 (31 March 2015: 4,717,000) for total value of \$1,509,000 (31 March 2015: \$8,406,000).

	For the Year ended 31 March 2016 '000	For the Year ended 31 March 2015 '000
<b>Movement in the number of units</b>		
Balance at beginning of the year	80,174	74,511
Subscriptions received during the year	20,900	10,380
Redemptions made during the year	(800)	(4,717)
<b>Units on issue at end of the year</b>	<b><u>100,274</u></b>	<b><u>80,174</u></b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

6. UNITHOLDERS' FUNDS (Continued)

The net asset value of each unit per the financial statements is \$2.10011 (31 March 2015: \$1.91710). Any difference between the net asset value announced to market daily and the net asset value per the financial statements is due to different unit pricing methodology.

The Fund's capital is represented by units issued and is shown in the Statement of Financial Position as Unitholder Funds. Refer to the Statement of Accounting Policies for a description of the terms of the units. The Fund is not subject to any externally imposed capital requirements.

7. RELATED PARTY TRANSACTIONS

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

The Manager is a 100% owned subsidiary of NZX Limited. The Fund holds shares in NZX Limited (refer to note 2) as the NZX Limited shares constitute part of the index the Fund tracks.

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor on behalf of the Fund and receives all basket application and withdrawal fees and interest earned on cash at call.

Total basket application and withdrawal fees for the year ended 31 March 2016 amounted to \$750 (31 March 2015: \$5,750).

The total interest earned on cash at call for the year ended 31 March 2016 amounted to \$124,000 (31 March 2015: \$103,000).

Total gross management fees excluding rebates for the year ended 31 March 2016 amounted to \$1,342,000 (31 March 2015: \$1,076,000) with \$133,000 (31 March 2015: \$102,000) of outstanding accrued management fees due to the Manager at the end of the year.

As at 31 March 2016 the Fund has other amounts payable to the Manager of \$NIL (31 March 2015: \$12,000)

The Fund has entered into a securities lending agreement at commercial arms length terms with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2016 the amount of securities the Fund had on loan to NZCL was \$2,350,000 (31 March 2015: \$4,832,000).

Total security lending fees for the year ended 31 March 2016 amounted to \$62,000 (31 March 2015: \$84,000), with the accrued fees due to the Fund of \$5,000 (31 March 2015: \$10,000).

The fees earned by the fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income by the Manager for administering the securities lending agreement.

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2016 was \$4,000 (31 March 2015: \$4,000).

SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, is an investor in the Fund. As at 31 March 2016, SuperLife superannuation scheme held 20,430,197 units (31 March 2015: 89,488) valued at \$43,347,000 (31 March 2015: \$173,000) in the Fund. The Fund paid distributions of \$1,005,000 (31 March 2015: \$2,000) to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the year is \$624,000 (31 March 2015: \$2,000).

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 accordance to 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**8. FINANCIAL RISK MANAGEMENT (Continued)**

**Financial instruments by category**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
<u><i>Loans and receivables</i></u>		
Cash and cash equivalents	5,343	4,137
Receivables	1,600	1,241
Other current assets	18	-
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>		
Investments in equity securities held at fair value	210,107	153,330
<u><i>Other financial liabilities</i></u>		
Management fees payable	133	102
Other current liabilities	-	12
Funds held for unit purchases	354	301
Distributions payable to Unitholders	5,829	4,542

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The Fund does not have exposure to currency risk and interest rate risk. The risk management policies used by the Fund are detailed below:

**8a. Market price risk**

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

The Fund's market price risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease of equity prices as at 31 March 2016 would increase/decrease profit and unitholder funds by \$21,011,000 (31 March 2015: \$15,333,000).

**8b. 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 accounts receivable.

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:

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Cash and cash equivalents	5,343	4,137
Receivables	1,600	1,241

**8c. Liquidity risk**

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

The Fund's listed securities are considered readily realisable, as they are quoted on the NZX Main Board. For the Fund, liquidity risk associated with redemptions is managed by prescribing 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

8. FINANCIAL RISK MANAGEMENT (Continued)

8d. Securities lending risk

A number of possible risks arise from the securities lending programme implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities could fail to deliver equivalent securities on termination of a loan or encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund could result in errors, fraud or misconduct that cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2016, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed by collateral of the borrower.

On 31 March 2016 the amount of securities the Fund had on loan to NZCL was \$2,350,000 (31 March 2015: \$4,832,000).

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2016 (31 March 2015: \$Nil).

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2016 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.



## Independent auditor's report

### **To the Unitholders of NZX 50 Portfolio Index Fund**

We have audited the accompanying financial statements of NZX 50 Portfolio Index Fund ("the Fund") on pages 7 to 20. The financial statements comprise the statement of financial position as at 31 March 2016, the statements of comprehensive income, changes in unitholders funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Unitholders as a body. Our audit work has been undertaken so that we might state to the fund's Unitholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund's Unitholders as a body, for our audit work, this report or any of the opinions we have formed.

#### ***Directors' responsibility for the financial statements***

The Directors are responsible on behalf of the fund for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Employees of our firm may also deal with the Fund on normal terms within the ordinary course of business of the Fund. This matter has not impaired our independence as auditor of the Fund. The firm has no other relationship with, or interest in, the Fund.



*Opinion*

In our opinion, the financial statements on pages 7 to 20 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of NZX 50 Portfolio Index Fund as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

27 May 2016  
Wellington

# Unitholder Information

## DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS (FNZ) AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	494	14.79%	166,895	0.17%
1,001-5,000	995	29.79%	2,563,435	2.57%
5,001-10,000	734	21.98%	5,201,016	5.21%
10,001-50,000	1,005	30.09%	20,671,106	20.72%
50,001-100,000	78	2.34%	5,218,992	5.23%
Greater than 100,000	34	1.02%	65,952,827	66.10%
<b>TOTAL</b>	<b>3,340</b>	<b>100.00%</b>	<b>99,774,271</b>	<b>100.00%</b>

## 20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES AS AT 30 APRIL 2016

Full Name	Total	Percentage
Investment Custodial Services Limited	31823181	31.90
Superlife Trustee Nominees Limited	20734514	20.78
FNZ Custodians Limited	4976882	4.99
New Zealand Central Securities Depository Limited	1558904	1.56
David Robert Rich & Carolyn Frances Elley	1388506	1.39
Custodial Services Limited	721266	0.72
Philippa Jane Stubbins & Comac Trustee Limited	554951	0.56
Custodial Services Limited	354184	0.35
Trevor Paul Fitzjohn & John Livingston Marshall & Strato Cotsilinis	267361	0.27
Ajd Family Nominees Limited	265300	0.27
Haida Leung & Lai Kar Chong	241608	0.24
Kynance Holdings Limited	200753	0.20
Investment Custodial Services Limited	198670	0.20
Jimmy Oh	191417	0.19
Gopi Nayar & Grant Campbell Pegler	172916	0.17
Murray John Thatcher & Susan Jane Thatcher & Kw Trustees 2008 Ltd	152703	0.15
Custodial Services Limited	152669	0.15
Custodial Services Limited	143461	0.14
Richard Duncan Bamfield	142655	0.14
Forsyth Barr Custodians Ltd	141627	0.14
	<b>64383528</b>	<b>64.51</b>

## SUBSTANTIAL PRODUCT HOLDERS

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 31 March 2016. The total number of units on issue at 31 March 2016 was 100,274,271.

## DIRECTORS' INTERESTS IN UNITS AS AT 31 MARCH 2016

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	1,054*	0
Tim Bennett (appointed 27 August 2013)	3,428*	0
Guy Elliffe (Appointed 6 November 2015)	0	0
John Williams (Appointed 6 November 2015)	0	0

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

## WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2016:

1.14 - Rules Which Apply to Issuers	10.3 - Preliminary Announcements
3.1.1(a) - Compliance with the Listing Rules	10.3.1 - Announcement of Material Information
3.1.1(b) - Compliance with Takeover Provisions	10.4.1 - Annual and Half-Year Reports
3.1.3 - Compliance with the provisions in Appendix 6	10.4.2 - Half-Yearly reporting requirements
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	10.6.1 - Other Administrative Information
3.4 - Proceedings and Powers of Directors	11.1.1 - Restrictions on Transfers
3.5 - Directors' Remuneration	11.2.3 - Statements after Issues or Transfers
Section 4 - Takeover Provisions	
7.1.7 - Regulation 39 statements for Offering Documents	
7.1.11 - Minimum Subscription	
7.3 - Issues of New Equity Securities	
7.4 - Entitlements to Third Party Securities	
7.5 - Issues and Buybacks of Securities Affecting Control	
7.6.1 to 7.6.3 - Buybacks, Redemptions and Financial Assistance	
7.11.1 - Time for Allotment	
7.12.2 - Notification of event affecting Securities	
8.2.1 to 8.2.3 - Lien on Distributions	
9.1.1(b) - Disposition or Acquisition of Assets	
9.2.1 - Material Transactions with Related Parties	

# NZX 10 Fund (TNZ)

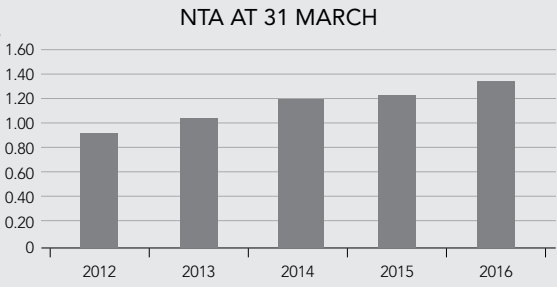
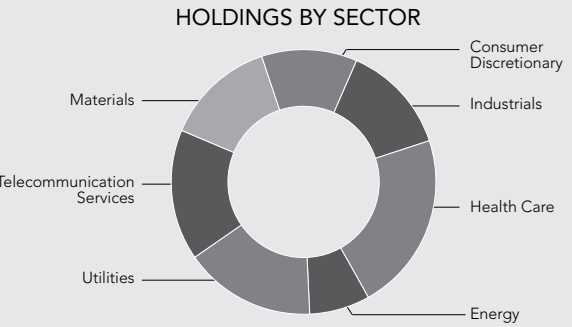
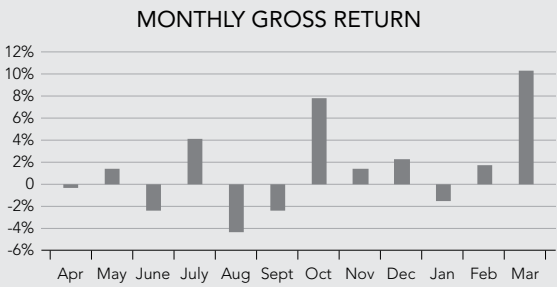
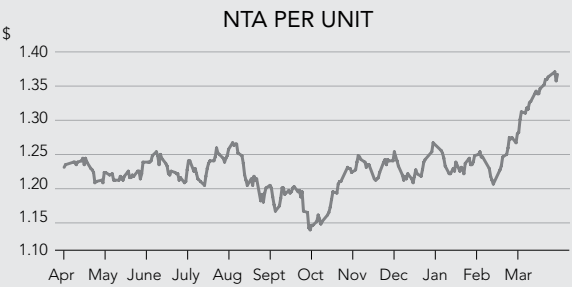
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016  
Presented by Smartshares Limited, Manager of the NZX 10 Fund

## Report to Unitholders

### HIGHLIGHTS

Launch Date 11-Jun-96

	March 2016	March 2015
Net Tangible Assets (NTA)	\$1.370	\$1.225
Units On Issue	49,832,943	46,332,943
Funds Under Management	\$68,255,185	\$56,737,005
Full Year Gross Distribution	\$0.065	\$0.049
Gross Distribution Yield	4.75%	4.01%
Gross Return	17.88%	6.42%
Fees	0.60%	0.60%
Distributions paid	Semi-annually	



## DIRECTORY

### THE MANAGER

Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

This is also the address of the registered office.

### DIRECTORS OF THE MANAGER

Bevan K. Miller  
Kristin A. Brandon (resigned 6 Nov 2015)  
Timothy O. Bennett  
Guy R. Elliffe (appointed 6 Nov 2015)  
A. John Williams (appointed 6 Nov 2015)

### SOLICITORS

Buddle Findlay  
Level 17, State Insurance Tower  
1 Willis Street, Wellington 6140  
NEW ZEALAND

### INVESTMENT CUSTODIAN

JB Were (NZ) Nominees Limited

### AUDITOR

KPMG  
10 Customhouse Quay  
PO Box 996, Wellington 6140  
NEW ZEALAND

### REGISTRAR

Link Market Services Limited

### THE TRUSTEE

The New Zealand Guardian Trust Company Limited  
Level 13, 191 Queen Street  
PO Box 1934, Shortland Street, Auckland 1010  
NEW ZEALAND

### DIRECTORS OF THE TRUSTEE

Andrew H. Barnes  
James E. Douglas  
Robin A. Flannagan  
Timothy J. Shaw  
Christopher R. Darlow (appointed 10 Feb 2015; resigned 20 Aug 2015)

### THE INVESTMENT MANAGER

Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

### INVESTMENT ADMINISTRATOR

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 address.

All correspondence and enquiries to the Trustee about the Fund should be addressed to the Trustee, The New Zealand Guardian Company Limited, at the above address.

The Manager and the Trustee are parties to a Trust Deed dated 7 May 1996 (the 'Trust Deed') which sets out the terms and conditions on which units in unit trusts managed by the Manager will be offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each unit trust is to be established by the Manager and the Trustee entering into a Unit Trust Establishment Deed setting out the specific terms and conditions relating to that Trust.

The Manager has resolved to establish a Unit Trust to be known as NZX 10 Fund and the Trustee and the Manager have entered into a Trust Deed for the purpose of establishing the Unit Trust and the terms and conditions applicable to it.

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 give a true and fair view of the financial position of the Fund as at 31 March 2016, and of the results of its financial performance and cash flows for the year ended 31 March 2016 in accordance with the requirement of the Trust Deed dated 7 May 1996.

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 27 May 2016.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016**

		<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
	<b>Note</b>		
<b>INCOME</b>			
Dividend income		2,909	2,446
Securities lending income		22	35
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>7,061</u>	<u>617</u>
<b>Total income</b>		<b>9,992</b>	<b>3,098</b>
<b>EXPENSES</b>			
Management fee expense	7	<u>339</u>	<u>344</u>
<b>Total expenses</b>		<b>339</b>	<b>344</b>
<b>Profit before tax</b>		<b>9,653</b>	<b>2,754</b>
Income tax expense	1	<u>166</u>	<u>51</u>
<b>Total income tax expense</b>		<b>166</b>	<b>51</b>
<b>Profit after tax</b>		<b>9,487</b>	<b>2,703</b>
<b>Total comprehensive income</b>		<b><u>9,487</u></b>	<b><u>2,703</u></b>
<b>EARNINGS PER UNIT</b>			
<b>Basic and diluted earnings per unit (cents per unit)</b>	4	<b><u>20.16</u></b>	<b><u>5.70</u></b>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2016

		For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
Unitholders' funds at beginning of the year		55,986	59,624
Profit after tax		9,487	2,703
Total comprehensive income for the year		9,487	2,703
Subscriptions from Unitholders	6	6,385	2,274
Redemptions by Unitholders	6	(2,136)	(6,844)
Distributions to Unitholders	5	(2,410)	(1,771)
		1,839	(6,341)
Unitholders' funds at the end of the year		67,312	55,986

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2016**

		As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
	Note		
<b>ASSETS</b>			
Cash and cash equivalents		2,469	1,203
Other current assets		15	-
Investments in equity securities held at fair value	2	67,168	55,861
Receivables		<u>855</u>	<u>695</u>
<b>TOTAL ASSETS</b>		<b><u>70,507</u></b>	<b><u>57,759</u></b>
<b>LIABILITIES</b>			
Management fees payable	7	34	30
Taxation payable		95	21
Funds held for unit purchases		1,061	106
Distribution payable to Unitholders	5	2,005	1,613
Other current liabilities		<u>-</u>	<u>3</u>
<b>TOTAL LIABILITIES</b>		<b><u>3,195</u></b>	<b><u>1,773</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>67,312</u></b>	<b><u>55,986</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>70,507</u></b>	<b><u>57,759</u></b>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the Financial Statements on 27 May 2016.



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B Miller  
Chairman  
Smartshares Limited



-----  
G Elliffe  
Director  
Smartshares Limited

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Dividend income received	2,749	2,345
Securities lending income received	22	33
<i>Cash was applied to:</i>		
Management fees paid	(335)	(345)
Taxation paid	(92)	(66)
<b>Net cash flows from operating activities</b>	<b>2,344</b>	<b>1,967</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of investments	12,501	672
<i>Cash was applied to:</i>		
Purchase of investments	(14,107)	(2,820)
<b>Net cash flows from investing activities</b>	<b>(1,606)</b>	<b>(2,148)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions received from Unitholders	2,588	1,791
<i>Cash was applied to:</i>		
Redemptions paid to Unitholders	(42)	-
Distribution paid to Unitholders	(1,031)	(920)
Distribution paid for dividend reinvestment	(987)	(789)
<b>Net cash flows from financing activities</b>	<b>528</b>	<b>82</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,266</b>	<b>(99)</b>
Cash and cash equivalents at beginning of year	1,203	1,301
<b>Cash and cash equivalents at the end of year</b>	<b>2,469</b>	<b>1,203</b>
<b>Reconciliation of profit after tax to net cash flows from operating activities</b>		
Profit after tax	9,487	2,703
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(7,061)	(617)
Increase in taxation payable	74	21
(Increase) in deferred tax liability	-	(36)
Increase/(decrease) in management fees payable	4	(1)
(Increase) in receivables	(160)	(103)
<b>Net cash flows from operating activities</b>	<b>2,344</b>	<b>1,967</b>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### GENERAL INFORMATION

The NZX 10 Fund (the 'Fund') is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 7 May 1996. The Fund is a listed issuer and therefore under the Financial Markets Conduct Act 2013 (FMC) a FMC reporting entity for the purposes of the Financial Reporting Act 2013. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders. Distributions are made up of income received from the investments and security lending income less expenses paid and allowances for future liabilities. All changes in the value of investments, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund commenced operations on 11 June 1996.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that tracks the NZX 10 Index (the 'Index'). As prescribed by the Trust Deed, the Fund only invests in the securities included in the Index in proportion to the market capitalisation of the Index and the available capital of the Fund. The Fund's units are quoted on the NZX Main Board. Investments in equity securities are valued at fair value according to last traded market prices on the NZX Main Board on 31 March 2016 (see Note 2).

### STATEMENT OF ACCOUNTING POLICIES

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

#### Comparative amounts

Where necessary, comparative figures have been restated to correspond to the current year classifications.

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with NZ GAAP, which is the New Zealand equivalent 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 and financial liabilities 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 and financial liabilities at fair value through profit or loss

##### (a) Classification

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

##### (b) Recognition/derecognition

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

##### (c) Measurement

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

##### (d) Fair value estimation

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

#### Receivables

Trade receivable 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

**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 on non-monetary financial assets and financial liabilities such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss.

**Cash and cash equivalents**

Cash and cash equivalents are considered to be cash on hand and current accounts in 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 are those activities that relate to cash contributions to and from, or cash distributions to the unitholders.

**Units**

The Fund issues units, which provide the holder with a residual 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 Prospectus, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

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

**Dividend income**

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

**Distributions payable to holders of units**

Income from investments held is attributed to unitholders on the basis of the number of units held at the Record Date of the unitholder distribution. Proposed distributions to unitholders are recognised when they become payable as outlined in the Trust Deed.

Distributions to unitholders are currently made on a semi-annual basis directly from the Fund within 20 Business Days of the Record Date. The Record Date for the Fund is on or around the last Business Day of each of March and September in any year.

**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 entities subject to the Fair Dividend Rate method ('FDR'), if any) from the entities listed in Note 2 after the deduction of management fees. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to unitholders are imputed to the extent permitted by the imputation credits that the Directors of the entity determine are available.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position 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.

**Securities lending**

The Fund enters into Securities Lending transactions whereby it transfers assets recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. As all or substantially all risks and rewards are retained, the transferred assets are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**Segment information**

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all its revenue from its New Zealand equity investments. Dividend income was received during the year from four equity investments that individually contributed 10% or more of the Fund's dividend income.

The dividend income received from the equity investments was \$598,000, \$411,000, \$368,000 and \$679,000 respectively, (31 March 2015: 3 equity investments \$598,000, \$549,000 and \$412,000).

**Changes in accounting standards and accounting standards adopted during the year**

**(a) Changes in accounting policies**

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

**(b) New accounting standards adopted**

There were no new accounting standards adopted during the year 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 31 March 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

1. TAXATION

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
<b>Tax expense comprises:</b>		
Current tax expense	(166)	(86)
Prior period adjustment	-	(22)
Deferred tax movement	-	57
<b>Total tax expense</b>	<b>(166)</b>	<b>(51)</b>

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

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
Profit before tax	9,653	2,754
<b>Income tax using the statutory income tax rate 28%</b>	<b>(2,703)</b>	<b>(771)</b>
Net changes in fair value of financial assets and financial liabilities	1,977	173
Gross up of imputation credits	(218)	(243)
Accrued dividend movement	-	(55)
	<b>(944)</b>	<b>(896)</b>
Less imputation credits and other tax credits	778	867
Prior period adjustment	-	(22)
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b>(166)</b>	<b>(51)</b>

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Opening balance	-	36
Current period movements	-	(57)
Prior period adjustments	-	21
<b>Closing balance</b>	<b>-</b>	<b>-</b>

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
<b>Imputation credit account (ICA)</b>		
Imputation credits available for use in subsequent periods	1,193	1,070

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE**

	<b>As at 31 March 2016</b>		<b>As at 31 March 2015</b>	
	<b>Number of Shares</b>	<b>Fair Value NZD</b>	<b>Number of Shares</b>	<b>Fair Value NZD</b>
	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>'000</b>
<b>Underlying Securities</b>				
Auckland International Airport Limited	1,490	9,579	1,540	6,931
Contact Energy Limited	1,156	5,778	613	3,667
Fletcher Building Limited	1,108	8,740	1,146	9,653
Fisher & Paykel Healthcare Corporation Limited	904	8,862	930	6,119
Meridian Energy Limited	1,932	5,063	-	-
Ryman Healthcare Limited	746	6,228	833	6,533
Sky City Entertainment Group Limited	951	4,766	979	4,014
Sky Network Television Limited	624	3,109	649	3,833
Spark New Zealand Limited (Formerly: Telecom Corporation NZ Limited)	2,935	10,712	3,058	9,113
Trade Me Group Limited	-	-	661	2,447
Xero Limited	-	-	147	3,551
Z Energy Limited	642	4,331	-	-
		<b>67,168</b>		<b>55,861</b>

All investments are designated at inception as being at fair value through profit or loss. The fair values of Investments are calculated using the last traded market price on the balance sheet date. The investments are registered in the name of JB Were (NZ) Nominees Limited, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

All financial instruments measured at fair value of the Fund have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2016 (31 March 2015: \$Nil).

**4. EARNINGS PER UNIT**

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

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

	<b>For the Year ended 31 March 2016</b>	<b>For the Year ended 31 March 2015</b>
Profit after tax (\$'000)	9,487	2,703
Weighted average number of units ('000)	47,062	47,431
<b>Basic and diluted earnings per unit (cents per unit)</b>	<b>20.16</b>	<b>5.70</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	As at 31 March 2016	As at 31 March 2015
	\$'000	\$'000
Opening distributions payable	1,613	1,551
Distributions accrued to Unitholders	2,410	1,771
Distributed to Unitholders	(2,017)	(1,709)
Closing distribution payable	2,006	1,613

Dividends declared and paid

	Year ended	Dividend per unit cents per unit	For the Year ended 31 March 2016	For the Year ended 31 March 2015
			\$'000	\$'000
March 2014 (paid April 2014)	31/03/2014	1.72	-	861
September 2014 (paid October 2014)	31/03/2015	1.85	-	848
March 2015 (paid April 2015)	31/03/2015	1.69	780	-
September 2015 (paid October 2015)	31/03/2016	2.71	1,237	-
			2,017	1,709

Dividends declared and not paid

March 2016 (paid April 2016)	31/03/2016	1.97	981
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6. UNITHOLDERS' FUNDS

As at 31 March 2016 there were 49,833,000 units on issue (31 March 2015: 46,333,000).

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 year ended 31 March 2016 was 4,750,000 (31 March 2015: 1,950,000) for total value of \$6,385,000 (31 March 2015: \$2,274,000).

The number of units redeemed during the year ended 31 March 2016 was 1,250,000 (31 March 2015: 5,794,000) for total value of \$2,136,000 (31 March 2015: \$6,844,000).

	For the Year ended 31 March 2016	For the Year ended 31 March 2015
	'000	'000
Movement in the number of units		
Balance at beginning of the year	46,333	50,177
Subscriptions received during the year	4,750	1,950
Redemptions made during the year	(1,250)	(5,794)
Units on issue at end of the year	49,833	46,333

The net asset value of each unit per the financial statements is \$1.35075 (31 March 2015: \$1.20834). Any difference between the net asset value announced to market daily and the net asset value per the financial statements is due to different unit pricing methodology.

The Fund's capital is represented by units issued and is shown in the Statement of Financial Position as Unitholder Funds. Refer to the Statement of Accounting Policies for a description of the terms of the units. The Fund is not subject to any externally imposed capital requirements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**6. UNITHOLDERS' FUNDS (Continued)**

**7. RELATED PARTY TRANSACTIONS**

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

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor on behalf of the Fund and receives all basket application and withdrawal fees and interest earned on cash at call. Total basket application and withdrawal fees for the year ended 31 March 2016 amounted to \$250 (31 March 2015: \$6,000).

The total interest earned on cash at call for the year ended 31 March 2016 amounted to \$39,000 (31 March 2015: \$38,000).

Total gross management fees excluding rebates for the year ended 31 March 2016 amounted to \$339,000 (31 March 2015: \$344,000) with \$34,000 (31 March 2015: \$30,000) of outstanding accrued management fees due to the Manager at the end of the year.

As at 31 March 2016 the Fund had a payable to the Manager of \$3,000 (31 March 2015: Payable, \$3,000).

The Fund has entered into a securities lending agreement at commercial arms length terms with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2016 the amount of securities the Fund had on loan to NZCL was \$1,265,000 (31 March 2015: \$890,000).

Total security lending fees for the year ended 31 March 2016 amounted to \$22,000 (31 March 2015: \$35,000), with the accrued fees due to the Fund of \$2,000 (31 March 2015: \$3,000). The fees earned by the fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income by the Manager for administering the securities lending agreement.

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2016 was \$4,000 (31 March 2015: \$4,000).

SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, is an investor in the Fund. As at 31 March 2016, SuperLife superannuation scheme held 3,414,711 units (31 March 2015: NIL) valued at \$4,672,000 (31 March 2015: \$NIL) in the Fund. The Fund paid distributions of \$67,000 (31 March 2015: \$NIL) to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the year is \$67,000 (31 March 2015: \$NIL).

**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 accordance to 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**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
<u><i>Loans and receivables</i></u>		
Cash and cash equivalents	2,469	1,203
Receivables	855	695
Other current assets	15	-
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>		
Investments in equity securities held at fair value	67,168	55,861

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

8. FINANCIAL RISK MANAGEMENT (Continued)

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
<i>Other financial liabilities</i>		
Management fees payable	34	30
Other current liabilities	-	3
Funds held for unit purchases	1,061	106
Distributions payable to Unitholders	2,005	1,613

The Fund’s activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The Fund does not have exposure to currency risk or interest rate risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

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

The Fund's market price risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease of equity prices as at 31 March 2016 would increase/decrease profit and unitholder funds by \$6,716,800 (31 March 2015: \$5,586,100).

8b. 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 accounts receivable.

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:

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Cash and cash equivalents	2,469	1,203
Receivables	855	695

8c. Liquidity risk

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

The Fund’s listed securities are considered readily realisable, as they are quoted on the NZX Main Board. For the Fund, liquidity risk associated with redemptions is managed by prescribing 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**8. FINANCIAL RISK MANAGEMENT (Continued)**

**8d. Securities lending risk**

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities could fail to deliver equivalent securities on termination of a loan or encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund could result in errors, fraud or misconduct that cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2016, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed by collateral of the borrower.

On 31 March 2016 the amount of securities the Fund had on loan to NZCL was \$1,265,000 (31 March 2015: \$889,899).

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016 (31 March 2015: \$NIL).

**10. EVENTS AFTER THE REPORTING PERIOD**

Since 31 March 2016 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.



# Independent auditor’s report

## To the Unitholders of NZX 10 Fund

We have audited the accompanying financial statements of NZX 10 Fund ("the Fund") on pages 27 to 39. The financial statements comprise the statement of financial position as at 31 March 2016, the statements of comprehensive income, changes in unitholders funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Unitholders as a body. Our audit work has been undertaken so that we might state to the fund’s Unitholders those matters we are required to state to them in the auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund’s Unitholders as a body, for our audit work, this report or any of the opinions we have formed.

### *Directors' responsibility for the financial statements*

The Directors are responsible on behalf of the fund for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

### *Auditor’s responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Employees of our firm may also deal with the Fund on normal terms within the ordinary course of business of the Fund. This matter has not impaired our independence as auditor of the Fund. The firm has no other relationship with, or interest in, the Fund.



### *Opinion*

In our opinion, the financial statements on pages 27 to 39 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of NZX 10 Fund as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in black ink.

27 May 2016  
Wellington

# Unitholder Information

## DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS (TNZ) AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	200	7.96%	47,443	0.09%
1,001-5,000	569	22.66%	1,655,697	3.19%
5,001-10,000	531	21.15%	4,091,462	7.89%
10,001-50,000	1,084	43.17%	22,096,809	42.63%
50,001-100,000	94	3.74%	6,286,696	12.13%
Greater than 100,000	33	1.31%	17,654,836	34.06%
TOTAL	2,511	100.00%	51,832,943	100.00%

## 20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES AS AT 30 APRIL 2016

Full Name	Total	Percentage
Investment Custodial Services Limited	4,667,395	9.00
Superlife Trustee Nominees Limited	4,152,385	8.01
New Zealand Central Securities Depository Limited	1,393,457	2.69
Custodial Services Limited	1,222,569	2.36
Anna Elisabeth Minnaar	730,097	1.41
Philippa Jane Stubbins & Comac Trustee Limited	626,325	1.21
Eeshala Nominees Limited	506,089	0.98
Custodial Services Limited	387,799	0.75
Thomas William Schnackenberg & Annette Helen Schnackenberg	325,943	0.63
Custodial Services Limited	295,895	0.57
Custodial Services Limited	265,344	0.51
Julian Smith Family Trust Custodian Limited	207,875	0.40
Kathryn May Kelly & Logan Leith Trustee Limited	195,309	0.38
Wallace John Semmens & Rose Agnes Semmens & Ernest William Gartrell	193,678	0.37
Forsyth Barr Custodians Ltd	181,148	0.35
Lynne Marie Marx Sheather & Walter Brent Sheather & Patricia Vera Sheather & Simon Middleton Palmer	170,445	0.33
Diana Renker	170,012	0.33
Anthony James Marquette & Beatrice Reine Marquette	165,520	0.32
Custodial Services Limited	162,740	0.31
Alan Leahey	144,374	0.28
	16,164,399	31.19

## SUBSTANTIAL PRODUCT HOLDERS

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 31 March 2016. The total number of units on issue at 31 March 2016 was 49,832,943.

## DIRECTORS’ INTERESTS IN UNITS AS AT 31 MARCH 2016

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	356*	0
Tim Bennett (appointed 27 August 2013)	1,158*	0
Guy Elliffe (Appointed 6 November 2015)	0	0
John Williams (Appointed 6 November 2015)	0	0

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

## WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2016:

- 1.14 - Rules Which Apply to Issuers

3.1.1(a) – Compliance with the Listing Rules

3.1.1(b) - Compliance with Takeover Provisions

3.1.3 – Compliance with the provisions in Appendix 6

3.3.5 to 3.3.15 - Appointment and Rotation of Directors

3.4 – Proceedings and Powers of Directors

3.5 – Directors’ Remuneration

Section 4 - Takeover Provisions

7.1.7 – Regulation 39 statements for Offering Documents

7.1.11 – Minimum Subscription

7.3 – Issues of New Equity Securities

7.4 – Entitlements to Third Party Securities

7.5 – Issues and Buybacks of Securities Affecting Control

7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance

7.11.1 – Time for Allotment

7.12.2 – Notification of event affecting Securities

8.2.1 to 8.2.3 – Lien on Distributions

8.3.1 - Modifications of Rights of Security Holders

9.1.1(b) – Disposition or Acquisition of Assets
- 9.2.1 – Material Transactions with Related Parties

10.3 - Preliminary Announcements

10.3.1 - Announcement of Material Information

10.4.1 - Annual and Half-Year Reports

10.4.2 - Half-Yearly Reporting Requirements

10.6.1 - Other Administrative Information

11.1.1 – Restrictions on Transfers

11.2.3 – Statements after Issues or Transfers

# NZX Australian 20 Leaders Index Fund (OZY)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

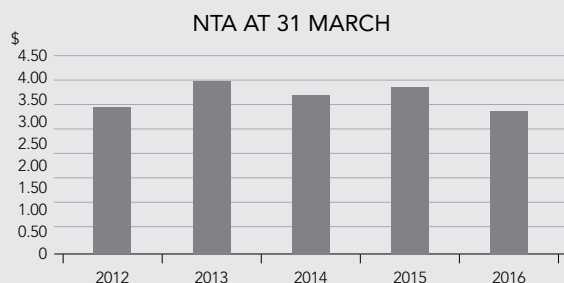
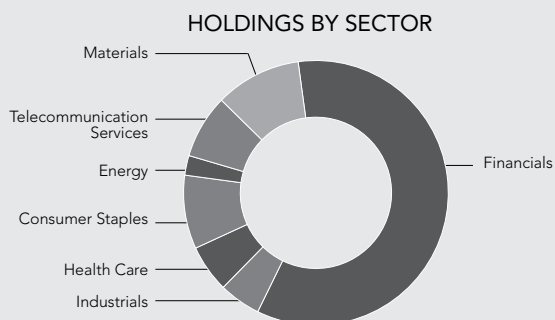
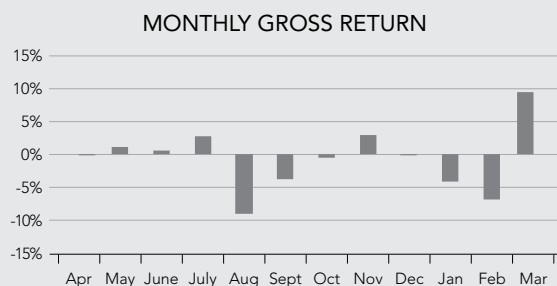
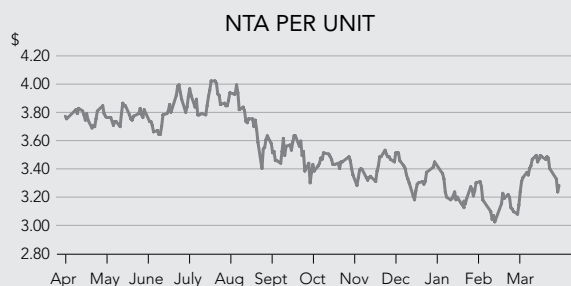
Presented by Smartshares Limited, Manager of the NZX Australian 20 Leaders Index Fund

## Report to Unitholders

### HIGHLIGHTS

Launch Date 27-Feb-97

	March 2016	March 2015
Net Tangible Assets (NTA)	\$3.278	\$3.789
Units On Issue	25,426,556	24,151,556
Funds Under Management	\$83,337,063	\$91,512,902
Full Year Gross Distribution	\$0.161	\$0.159
Gross Distribution Yield	4.90%	4.29%
Gross Return	-9.27%	8.12%
Fees	0.60%	0.60%
Distributions paid	Semi-annually	



**DIRECTORY**

**THE MANAGER**  
Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

This is also the address of the registered office.

**DIRECTORS OF THE MANAGER**  
Bevan K. Miller  
Kristin A. Brandon (resigned 6 Nov 2015)  
Timothy O. Bennett  
Guy R. Elliffe (appointed 6 Nov 2015)  
A. John Williams (appointed 6 Nov 2015)

**SOLICITORS**  
Buddle Findlay  
Level 17, State Insurance Tower  
1 Willis Street, Wellington 6140  
NEW ZEALAND

**INVESTMENT ADMINISTRATOR AND CUSTODIAN**  
BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

**AUDITOR**  
KPMG  
10 Customhouse Quay  
PO Box 996, Wellington 6140  
NEW ZEALAND

**REGISTRAR**  
Link Market Services Limited

**THE TRUSTEE**  
Trustees Executors Limited  
Level 5, 10 Customhouse Quay  
P O Box 10-519, Wellington 6143  
NEW ZEALAND

**DIRECTORS OF THE TRUSTEE**  
Rt Hon James B. Bolger ONZ (retired 8 Jul 2015)  
Paul R. S. Hocking  
Peter A. Metz  
Robert P. Russell  
David R. Neidhart (appointed 29 Sep 2015)

**THE INVESTMENT MANAGER**  
Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

**CORRESPONDENCE**

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

All correspondence and enquiries to the Trustee about the Fund should be addressed to the Trustee, Trustees Executors Limited, at the above address.

The Manager and the Trustee are parties to a Trust Deed dated 20 January 1997 (the 'Trust Deed') which sets out the terms and conditions on which units in unit trusts managed by the Manager will be offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each unit trust is to be established by the Manager and the Trustee entering into a Unit Trust Establishment Deed setting out the specific terms and conditions relating to that Trust.

The Manager has resolved to establish a for-profit open-ended Group Investment Fund to be known as NZX Australian 20 Leaders Index Fund (the 'Fund') and the Trustee and the Manager have entered into a Trust Deed for the purpose of establishing the Unit Trust and the terms and conditions applicable to it.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and give a true and fair view of the financial position of the Fund as at 31 March 2016, and of the results of its financial performance and cash flows for the year ended 31 March 2016 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 27 May 2016.

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016

		For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
	Note		
<b>INCOME</b>			
Dividend income		5,341	4,406
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(13,643)	3,556
Foreign exchange gain		48	-
<b>Total investment (loss)/income</b>		<b>(8,254)</b>	<b>7,962</b>
<b>EXPENSES</b>			
Management fee expense	7	513	558
Foreign exchange loss		-	21
<b>Total expenses</b>		<b>513</b>	<b>579</b>
<b>(Loss)/profit before tax</b>		<b>(8,767)</b>	<b>7,383</b>
Income tax expense	1	1,266	977
<b>Total income tax expense</b>		<b>1,266</b>	<b>977</b>
<b>(Loss)/profit after tax</b>		<b>(10,033)</b>	<b>6,406</b>
<b>Total comprehensive (loss)/income</b>		<b>(10,033)</b>	<b>6,406</b>
<b>EARNINGS PER UNIT</b>			
<b>Basic and diluted (losses)/earnings per unit (cents per unit)</b>	4	<b>(40.52)</b>	<b>26.29</b>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

**STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2016**

		<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
<b>Unitholders' funds at beginning of the year</b>		<b>90,973</b>	<b>87,825</b>
(Loss)/profit after tax		<u>(10,033)</u>	<u>6,406</u>
<b>Total comprehensive (loss)/income for the year</b>		<b>(10,033)</b>	<b>6,406</b>
Subscriptions from Unitholders	6	6,128	3,587
Redemptions by Unitholders	6	(1,866)	(4,202)
Distributions to Unitholders	5	<u>(3,031)</u>	<u>(2,643)</u>
		<b>1,231</b>	<b>(3,258)</b>
<b>Unitholders' funds at the end of the year</b>		<b><u><u>82,171</u></u></b>	<b><u><u>90,973</u></u></b>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2016

		As at Year ended 31 March 2016 \$'000	As at Year ended 31 March 2015 \$'000
ASSETS	Note		
Cash and cash equivalents		4,874	2,299
Receivables		658	717
Investments in equity securities held at fair value	2	82,405	90,889
Other current assets		3	3
TOTAL ASSETS		87,940	93,908
LIABILITIES			
Management fees payable	7	44	49
Taxation payable		457	315
Funds held for unit purchases		2,581	117
Distribution payable to Unitholders	5	2,687	2,454
TOTAL LIABILITIES		5,769	2,935
UNITHOLDERS' FUNDS		82,171	90,973
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		87,940	93,908

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the Financial Statements on 27 May 2016.



-----  
B Miller  
Chairman  
Smartshares Limited



-----  
G Elliffe  
Director  
Smartshares Limited

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016**

	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Dividend income received	5,375	4,350
<i>Cash was applied to:</i>		
Management fees paid	(518)	(555)
Taxation paid	<u>(1,099)</u>	<u>(1,121)</u>
<b>Net cash flows from operating activities</b>	<b><u>3,758</u></b>	<b><u>2,674</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of investments	6,768	2,898
<i>Cash was applied to:</i>		
Purchase of investments	(8,720)	(5,609)
Net repayments from the Manager	<u>-</u>	<u>1</u>
<b>Net cash flows from investing activities</b>	<b><u>(1,952)</u></b>	<b><u>(2,710)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions received from Unitholders	3,603	2,715
<i>Cash was applied to:</i>		
Redemptions paid to Unitholders	(35)	-
Distribution paid to Unitholders	(1,413)	(1,314)
Distribution paid for dividend reinvestment	<u>(1,385)</u>	<u>(1,261)</u>
<b>Net cash flows from financing activities</b>	<b><u>770</u></b>	<b><u>140</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>2,576</b>	<b>102</b>
Cash and cash equivalents at beginning of year	2,299	2,218
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(1)</u>	<u>(21)</u>
<b>Cash and cash equivalents at the end of year</b>	<b><u>4,874</u></b>	<b><u>2,299</u></b>
<b>Reconciliation of (loss)/profit after tax to net cash flows from operating activities</b>		
(Loss)/profit after tax	(10,033)	6,406
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	13,643	(3,556)
Net changes on foreign exchange	(48)	21
Increase in taxation payable	142	41
(Decrease) in deferred tax liability	-	(185)
(Decrease)/increase in management fees payable	(5)	3
Decrease/(increase) in receivables	<u>59</u>	<u>(56)</u>
<b>Net cash flows from operating activities</b>	<b><u>3,758</u></b>	<b><u>2,674</u></b>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

GENERAL INFORMATION

The NZX Australian 20 Leaders Index Fund (the 'Fund') is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 20 January 1997. The Fund is a listed issuer and therefore under the Financial Markets Conduct Act 2013 ('FMC') a FMC reporting entity for purposes of the Financial Reporting Act 2013. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders. Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. All changes in the value of investments in equity securities, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund was first listed on 28 February 1997.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The fund is a passive investment fund that tracks the ASX S&P Australian 20 Leaders Index (the 'Index'). As prescribed by the Trust Deed, the Fund only invests in the securities included in the Index in proportion to the market capitalisation of the Index and the available capital of the Fund. The Fund's units are quoted on the NZX Main Board. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange (ASX) on 31 March 2016 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

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

Comparative amounts

Where necessary, comparative figures have been restated to correspond to the current year classification.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with NZ GAAP which is the New Zealand equivalent 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 and financial liabilities 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 and financial liabilities at fair value through profit or loss

(a) Classification

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

(b) Recognition/derecognition

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

(c) Measurement

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

(d) Fair value estimation

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

Receivables

Trade receivable 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 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 on non-monetary financial assets and financial liabilities such as equities held at fair value through profit and loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss.

### Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand and current accounts in 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 are those activities that relate to cash contributions to and from, or cash distributions to the Unitholders.

### Units

The Fund issues units, which provide the holder with a residual 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 prospectus, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

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

### Dividend income

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

### Distributions payable to holders of units

Income from investments held is attributed to Unitholders on the basis of the number of units held at the record date of the Unitholder distribution. Proposed distributions to Unitholders are recognised when they become payable as outlined in the Trust Deed.

Distributions are currently made on a six monthly basis to Unitholders directly from the Fund within 20 business days of the last business day in each of March and September in any year.

### 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 entities subject to the Fair Dividend Rate method ('FDR'), if any) from the entities listed in Note 2 after the deduction of management fees. With a small portion of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to Unitholders are imputed to the extent permitted by the imputation credits that the directors of the entity determine are available.

Deferred tax is recognised in respect of temporary differences at the balance sheet 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 Australian equities. The Fund received all its revenue from its Australian equity investments. Dividend income was received during the year ended 31 March 2016 from four equity investments that individually contributed 10% or more of the Fund's dividend income. The dividend income received from these equity investments was \$991,000, \$706,000, \$751,000 and \$581,000 (31 March 2015: 5 equity investments \$653,000, \$549,000, \$474,000, \$451,000 and \$447,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**Changes in accounting standards and accounting standards adopted during the year**

**(a) Changes in accounting policies**

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

**(b) New accounting standards adopted**

There were no new accounting standards adopted during the year 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 31 March 2016, 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
<b>Tax expense comprises:</b>		
Current tax expense	(1,276)	(1,161)
Prior period adjustment	10	(1)
Deferred tax movement	<u>-</u>	<u>185</u>
<b>Total tax expense</b>	<b><u>(1,266)</u></b>	<b><u>(977)</u></b>

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

**Income tax expense**

	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
(Loss)/profit before tax	<u>(8,767)</u>	<u>7,383</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b><u>2,455</u></b>	<b><u>(2,067)</u></b>
Net changes in fair value of financial assets and financial liabilities	(3,820)	996
Non taxable income	51	36
Tax on securities subject to FDR	(57)	(40)
Gross up of imputation credits	<u>(38)</u>	<u>(39)</u>
	<b><u>(1,409)</u></b>	<b><u>(1,114)</u></b>
Add imputation credits and other tax credits	133	138
Prior period adjustment	<u>10</u>	<u>(1)</u>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(1,266)</u></b>	<b><u>(977)</u></b>

**Deferred tax**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Opening balance	-	(185)
Current period movements	<u>-</u>	<u>185</u>
<b>Closing balance</b>	<b><u>-</u></b>	<b><u>-</u></b>

**Imputation credit account (ICA)**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Imputation credits available for use in subsequent periods	840	569

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE

	As at 31 March 2016			As at 31 March 2015		
	Number of Shares '000	Fair Value AUD \$'000	Fair Value NZD \$'000	Number of Shares '000	Fair Value AUD \$'000	Fair Value NZD \$'000
<b>Underlying Securities</b>						
AMP Limited	271	1,567	1,736	266	1,715	1,753
ANZ Banking Group	267	6,264	6,940	249	9,116	9,316
BHP Billiton Limited	294	4,952	5,486	289	8,965	9,162
Brambles Industries Limited	144	1,751	1,940	141	1,622	1,657
Commonwealth Bank Australia	156	11,705	12,968	146	13,632	13,933
CSL Limited	43	4,315	4,781	43	3,936	4,023
Insurance Australia Group Limited	223	1,242	1,376	211	1,286	1,314
Macquarie Group Limited	31	2,058	2,280	30	2,286	2,336
National Australia Bank Limited	241	6,331	7,014	218	8,403	8,587
Origin Energy Limited	-	-	-	99	1,121	1,146
QBE Insurance Group Limited	125	1,363	1,510	123	1,602	1,638
Rio Tinto Limited	39	1,657	1,836	39	2,245	2,295
Scentre Group	487	2,163	2,397	479	1,793	1,832
Suncorp Group Limited	118	1,402	1,554	116	1,564	1,598
Telstra Corp Limited	1,119	5,963	6,607	1,101	6,945	7,098
Westpac Banking Corp	305	9,263	10,264	281	11,062	11,304
Wesfarmers Limited	103	4,264	4,724	101	4,448	4,546
Westfield Corporation	175	1,748	1,936	172	1,644	1,680
Woolworths Limited	116	2,570	2,848	113	3,347	3,420
Woodside Petroleum Limited	65	1,683	1,865	64	2,202	2,251
Transurban Group	186	2,114	2,343	-	-	-
		<u>74,375</u>	<u>82,405</u>		<u>88,934</u>	<u>90,889</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price on the reporting date. The exchange rate used was 0.9026 (31 March 2015: 0.9785). The investments are registered in the name of BNP Paribas Fund Services Australia Pty Ltd, the Custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

All financial instruments measured at fair value of the Fund have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2016 (31 March 2015: NIL).

4. EARNINGS PER UNIT

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**4. EARNINGS PER UNIT (Continued)**

	For the Year ended 31 March 2016	For the Year ended 31 March 2015
Net (loss)/earnings after tax (\$'000)	(10,033)	6,406
Weighted average number of units ('000)	<u>24,758</u>	<u>24,366</u>
<b>Basic and diluted (losses)/earnings per unit (cents per unit)</b>	<b><u>(40.52)</u></b>	<b><u>26.29</u></b>

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Opening distributions payable	2,454	2,386
Distributions accrued to Unitholders	3,031	2,643
Distributed to Unitholders	<u>(2,798)</u>	<u>(2,575)</u>
<b>Closing distribution payable</b>	<b><u>2,687</u></b>	<b><u>2,454</u></b>

**Dividends declared and paid**

	Year ended	Dividend per unit (cents per unit)	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
March 2014 (paid April 2014))	31/03/2014	5.52	-	1,341
September 2014 (paid October 2014)	31/03/2015	5.13	-	1,234
March 2015 (paid April 2015)	31/03/2015	6.33	1,518	-
September 2015 (paid October 2015)	31/03/2016	<u>5.30</u>	<u>1,280</u>	<u>-</u>
			<b><u>2,798</u></b>	<b><u>2,575</u></b>

**Dividends declared and not paid**

March 2016 (paid April 2016)	31/03/2016	6.26	1,593
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**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 25,426,000 units on issue (31 March 2015: 24,151,000).

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 year ended 31 March 2016 was 1,800,000 (31 March 2015: 955,000) for total value of \$6,128,000 (31 March 2015: \$3,587,000).

The number of units redeemed during the year ended 31 March 2016 was 525,000 (31 March 2015: 1,103,000) for total value of \$1,866,000 (31 March 2015: \$4,202,000).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

6. UNITHOLDERS' FUNDS (Continued)

	For the Year ended 31 March 2016 '000	For the Year ended 31 March 2015 '000
<b>Movement in the number of units</b>		
Balance at beginning of the year	24,151	24,299
Subscriptions received during the year	1,800	955
Redemptions made during the year	(525)	(1,103)
<b>Units on issue at end of the year</b>	<b>25,426</b>	<b>24,151</b>

The net asset value of each unit per the financial statements is \$3.23177 (31 March 2015: \$3.76676). Any difference between the net asset value announced to market daily and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

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

The Manager is a 100% owned subsidiary of NZX Limited.

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor on behalf of in respect of the Fund and receives all interest earned on cash at call. Total basket application and withdrawal fees for the year ended 31 March 2016 amounted to NIL (31 March 2015: \$1,800). Total gross management fees excluding rebates for the year ended 31 March 2016 amounted to \$513,000 (31 March 2015: \$558,000), with \$44,000 (31 March 2015: \$49,000) of outstanding accrued management fees due to the Manager at the end of the year. The total interest earned on cash at call for the year ended 31 March 2016 amounted to \$39,000 (31 March 2015: \$49,000).

As at 31 March 2016 the Fund has receivables of other assets from the Manager of \$3,000 (31 March 2015: \$3,000 receivable).

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2016 was \$4,000 (31 March 2015: \$4,000).

SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary company of NZX Limited, is an investor in the Fund. As at 31 March 2016 SuperLife superannuation scheme held 1,283,118 (31 March 2015: NIL) units valued at \$4,201,000 (31 March 2015: \$NIL) in the Fund. The Fund paid distributions of \$81,000 (31 March 2015: \$NIL) to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the year is \$81,000 (31 March 2015: \$NIL).

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 accordance to 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**8. FINANCIAL RISK MANAGEMENT (Continued)**

**Financial instruments by category**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
<u><i>Loans and receivables</i></u>		
Cash and cash equivalents	4,874	2,299
Receivables	658	717
Other current assets	3	3
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>		
Investments in equity securities held at fair value	82,405	90,889
<u><i>Other financial liabilities</i></u>		
Management fees payable	44	49
Funds held for unit purchases	2,581	117
Distributions payable to Unitholders	2,687	2,454

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, currency risk and liquidity risk. The Fund does not have exposure to interest rate risk. The risk management policies used by the Fund are detailed below:

**8a. Market price risk**

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

The Fund's market price risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss. In accordance with the terms of the Trust Deed the Manager does not manage this risk.

A 10% increase/decrease of equity prices as at 31 March 2016 would increase/decrease net profit and Unitholder funds by \$8,241,000 (31 March 2015: \$9,089,000).

**8b. 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 accounts receivable. 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:

	<b>As at Year ended 31 March 2016 \$'000</b>	<b>As at Year ended 31 March 2015 \$'000</b>
Cash and cash equivalents	4,874	2,299
Receivables	658	717
Other current assets	3	3

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

8. FINANCIAL RISK MANAGEMENT (Continued)

8c. Liquidity risk

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

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

8d. Currency risk

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

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

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$8,319,000 (31 March 2015: \$8,375,000).

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2016 (31 March 2015:\$NIL).

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2016 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.



## Independent auditor's report

### To the Unitholders of NZX Australian 20 Leaders Index Fund

We have audited the accompanying financial statements of NZX Australian 20 Leaders Index Fund ("the Fund") on pages 46 to 58. The financial statements comprise the statement of financial position as at 31 March 2016, the statements of comprehensive income, changes in unitholders funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Unitholders as a body. Our audit work has been undertaken so that we might state to the fund's Unitholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund's Unitholders as a body, for our audit work, this report or any of the opinions we have formed.

#### *Directors' responsibility for the financial statements*

The Directors are responsible on behalf of the fund for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Employees of our firm may also deal with the Fund on normal terms within the ordinary course of business of the Fund. This matter has not impaired our independence as auditor of the Fund. The firm has no other relationship with, or interest in, the Fund.



*Opinion*

In our opinion, the financial statements on pages 46 to 58 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of NZX Australian 20 Leaders Index Fund as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in black ink.

27 May 2016  
Wellington

# Unitholder Information

## DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS (OZY) AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	410	14.88%	166,376	0.63%
1,001-5,000	1,181	42.85%	3,311,556	12.58%
5,001-10,000	648	23.51%	4,450,212	16.90%
10,001-50,000	477	17.31%	8,484,990	32.23%
50,001-100,000	20	0.73%	1,323,097	5.03%
Greater than 100,000	20	0.73%	8,590,325	32.63%
TOTAL	2,756	100.00%	26,326,556	100.00%

## 20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES AS AT 30 APRIL 2016

Full Name	Total	Percentage
Investment Custodial Services Limited	2,722,710	10.34
Superlife Trustee Nominees Limited	1,283,118	4.87
Anna Elisabeth Minnaar	762,762	2.90
FNZ Custodians Limited	542,600	2.06
New Zealand Central Securities Depository Limited	387,684	1.47
Michael Donald Wight & Geraldine Louise Wight	386,486	1.47
Forsyth Barr Custodians Ltd	347,898	1.32
Chiron Trustees Limited	269,505	1.02
Aratrust Limited	241,500	0.92
Custodial Services Limited	236,707	0.90
FNZ Custodians Limited	212,203	0.81
Philippa Jane Stubbins & Comac Trustee Limited	199,009	0.76
Michael Donald Wight & Geraldine Louise Wight & David Leonard Gill	152,711	0.58
Nigel High & Hsiao Ming High	150,717	0.57
Judith Anne Knowles	135,688	0.52
NZ Methodist Trust Association	120,000	0.46
David Owen Neill & Jennifer Jill Neill & Lindsay John Brown	118,537	0.45
Fund Management Limited Mft	111,468	0.42
Haida Leung & Lai Kar Chong	105,519	0.40
Custodial Services Limited	103,503	0.39
	8,590,325	32.63

## SUBSTANTIAL PRODUCT HOLDERS

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 31 March 2016. The total number of units on issue at 31 March 2016 was 25,426,556.

## DIRECTORS' INTERESTS IN UNITS AS AT 31 MARCH 2016

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	215*	0
Tim Bennett (appointed 27 August 2013)	552*	0
Guy Elliffe (Appointed 6 November 2015)	0	0
John Williams (Appointed 6 November 2015)	0	0

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

## WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2016:

1.14 - Rules Which Apply to Issuers	10.3 - Preliminary Announcements
3.1.1(a) - Compliance with the Listing Rules	10.3.1 - Announcement of Material Information
3.1.1(b) - Compliance with Takeover Provisions	10.4.1 - Annual and Half-Year Reports
3.1.3 - Compliance with the provisions in Appendix 6	10.4.2 - Half-Yearly reporting requirements
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	10.6.1 - Other Administrative Information
3.4 - Proceedings and Powers of Directors	11.1.1 - Restrictions on Transfers
3.5 - Directors' Remuneration	11.2.3(a) - Statements after Issues or Transfers
Section 4 - Takeover Provisions	Appendix 2 - Minimum Holding
7.1.7 - Regulation 39 statements for Offering Documents	
7.1.11 - Minimum Subscription	
7.3 - Issues of New Equity Securities	
7.4 - Entitlements to Third Party Securities	
7.5 - Issues and Buybacks of Securities Affecting Control	
7.6.1 to 7.6.3 - Buybacks, Redemptions and Financial Assistance	
7.11.1 - Time for Allotment	
8.2.1 to 8.2.3 - Lien on Distributions	
8.3.1 - Modifications of Rights of Security Holders	
9.1.1(b) - Disposition or Acquisition of Assets	
9.2.1 - Material Transactions with Related Parties	

# NZX Midcap Index Fund (MDZ)

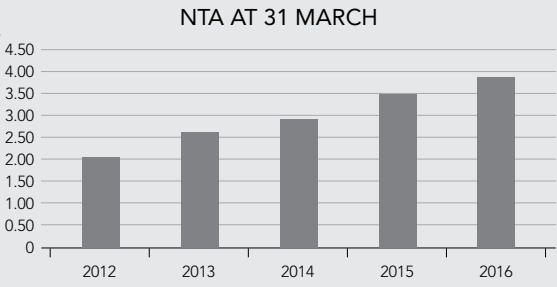
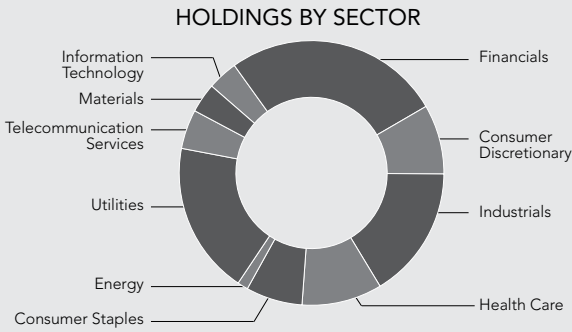
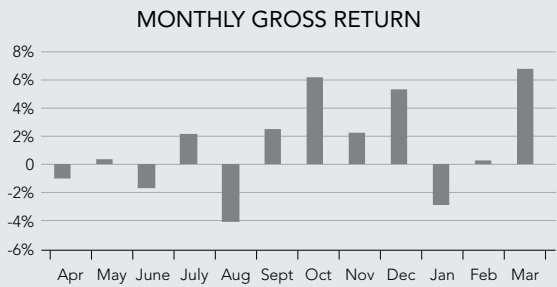
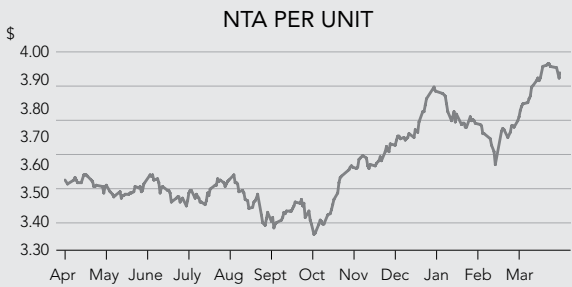
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016  
Presented by Smartshares Limited, Manager of the NZX Midcap Index Fund

## Report to Unitholders

### HIGHLIGHTS

Launch Date 16-Jun-97

	March 2016	March 2015
Net Tangible Assets (NTA)	\$3.927	\$3.559
Units On Issue	16,250,223	15,250,223
Funds Under Management	\$63,807,801	\$54,279,509
Full Year Gross Distribution	\$0.178	\$0.190
Gross Distribution Yield	4.52%	5.37%
Gross Return	15.80%	28.54%
Fees	0.75%	0.75%
Distributions paid	Semi-annually	



## DIRECTORY

### THE MANAGER

Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

This is also the address of the registered office.

### DIRECTORS OF THE MANAGER

Bevan K. Miller  
Kristin A. Brandon (resigned 6 Nov 2015)  
Timothy O. Bennett  
Guy R. Elliffe (appointed 6 Nov 2015)  
A. John Williams (appointed 6 Nov 2015)

### SOLICITORS

Buddle Findlay  
Level 17, State Insurance Tower  
1 Willis Street, Wellington 6140  
NEW ZEALAND

### INVESTMENT CUSTODIAN

JB Were (NZ) Nominees Limited

### AUDITOR

KPMG  
10 Customhouse Quay  
PO Box 996, Wellington 6140  
NEW ZEALAND

### REGISTRAR

Link Market Services Limited

### THE TRUSTEE

Trustees Executors Limited  
Level 5, 10 Customhouse Quay  
P O Box 10-519, Wellington 6143  
NEW ZEALAND

### DIRECTORS OF THE TRUSTEE

Rt Hon James B. Bolger ONZ (retired 8 Jul 2015)  
Paul R. S. Hocking  
Peter A. Metz  
Robert P. Russell  
David R. Neidhart (appointed 29 Sep 2015)

### THE INVESTMENT MANAGER

Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

### INVESTMENT ADMINISTRATOR

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.

All correspondence and enquiries to the Trustee about the Fund should be addressed to the Trustee, Trustees Executors Limited, at the above address.

The Manager and the Trustee are parties to a Trust Deed dated 15 April 1997 (the 'Trust Deed') which sets out the terms and conditions on which units in unit trusts managed by the Manager will be offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each unit trust is to be established by the Manager and the Trustee entering into a Unit Trust Establishment Deed setting out the specific terms and conditions relating to that Trust.

The Manager has resolved to establish a for-profit open-ended Group Investment Fund to be known as NZX Midcap Index Fund (the 'Fund') and the Trustee and the Manager have entered into a Trust Deed for the purpose of establishing the Unit Trust and the terms and conditions applicable to it.

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 give a true and fair view of the financial position of the Fund as at 31 March 2016, and of the results of its financial performance and cash flows for the year ended 31 March 2016 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 27 May 2016.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016**

		<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
<b>INCOME</b>	<b>Note</b>		
Dividend income		2,549	2,570
Securities lending income		24	25
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>5,807</u>	<u>8,409</u>
<b>Total investment income</b>		<b>8,380</b>	<b>11,004</b>
 <b>EXPENSES</b>			
Management fee expense	7	<u>412</u>	<u>370</u>
<b>Total expenses</b>		<b>412</b>	<b>370</b>
 <b>Profit before tax</b>		<b>7,968</b>	<b>10,634</b>
 Income tax (benefit)/expense	1	<u>(7)</u>	<u>18</u>
<b>Total income tax (benefit)/expense</b>		<b>(7)</b>	<b>18</b>
 <b>Profit after tax</b>		<b>7,975</b>	<b>10,616</b>
 <b>Total comprehensive income</b>		<b><u>7,975</u></b>	<b><u>10,616</u></b>
 <b>EARNINGS PER UNIT</b>			
<b>Basic and diluted earnings per unit (cents per unit)</b>	4	<b><u>51.29</u></b>	<b><u>71.05</u></b>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2016

		For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
Unitholders' funds at beginning of the year		53,782	45,009
Profit after tax		<u>7,975</u>	<u>10,616</u>
Total comprehensive income for the year		7,975	10,616
Subscriptions from Unitholders	6	5,330	4,266
Redemptions by Unitholders	6	(1,720)	(3,815)
Distributions accrued to Unitholders	5	<u>(2,162)</u>	<u>(2,294)</u>
		1,448	(1,843)
Unitholders' funds at the end of the year		<u><u>63,205</u></u>	<u><u>53,782</u></u>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2016**

		As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
	Note		
<b>ASSETS</b>			
Cash and cash equivalents		4,420	1,900
Receivables		322	413
Taxation receivable		-	5
Deferred tax asset	1	47	33
Investments in equity securities held at fair value through profit or loss	2	62,999	53,618
Other current assets		<u>1</u>	<u>3</u>
<b>TOTAL ASSETS</b>		<b><u>67,789</u></b>	<b><u>55,972</u></b>
<b>LIABILITIES</b>			
Management fees payable	7	40	36
Funds held for unit purchases		2,756	230
Distribution payable to Unitholders	5	1,785	1,920
Other current liabilities		<u>3</u>	<u>4</u>
<b>TOTAL LIABILITIES</b>		<b><u>4,584</u></b>	<b><u>2,190</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>63,205</u></b>	<b><u>53,782</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>67,789</u></b>	<b><u>55,972</u></b>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the Financial Statements on 27 May 2016.



-----  
B Miller  
Chairman  
Smartshares Limited



-----  
G Elliffe  
Director  
Smartshares Limited

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Dividend income received	2,640	2,444
Securities lending income received	26	24
Tax refund/received	-	12
<i>Cash was applied to:</i>		
Management fees paid	(408)	(363)
Taxation paid	(2)	-
<b>Net cash flows from operating activities</b>	<b>2,256</b>	<b>2,117</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of investments	14,886	2,400
<i>Cash was applied to:</i>		
Purchase of investments	(16,253)	(5,206)
Net repayments from/(to) the Manager	(1)	-
<b>Net cash flows from investing activities</b>	<b>(1,368)</b>	<b>(2,806)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions received from Unitholders	3,964	2,993
<i>Cash was applied to:</i>		
Redemptions paid to Unitholders	(35)	-
Distribution paid to Unitholders	(1,053)	(826)
Distribution paid for dividend reinvestment	(1,244)	(898)
<b>Net cash flows from financing activities</b>	<b>1,632</b>	<b>1,269</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,520</b>	<b>580</b>
Cash and cash equivalents at beginning of year	1,900	1,320
<b>Cash and cash equivalents at the end of year</b>	<b>4,420</b>	<b>1,900</b>
<b>Reconciliation of profit after tax to net cash flows from operating activities</b>		
Profit after tax	7,975	10,616
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(5,807)	(8,409)
Decrease in taxation receivable	5	17
(Increase)/decrease in deferred tax asset	(14)	13
Decrease in management fees payable	4	7
Decrease/ (increase) in receivables	93	(127)
<b>Net cash flows from operating activities</b>	<b>2,256</b>	<b>2,117</b>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The NZX Midcap Index Fund (the 'Fund') is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 15 April 1997. The Fund is a listed issuer and therefore under the Financial Markets Conduct Act 2013 ('FMC') an FMC reporting entity for purposes of the Financial Reporting Act 2013. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders. Distributions are made up of income received from the investments and security lending income received less expenses paid and allowances for future liabilities. All changes in the value of investments in equity securities, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund was first listed on 16 June 1997.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The fund is a passive investment fund that tracks the S&P/NZX Midcap Index (the 'Index'). As prescribed by the Trust Deed, the Fund only invests in the securities included in the Index in proportion to the weightings of the Index and the available capital of the Fund. The Fund's units are quoted on the NZX Main Board. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

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

**Comparative amounts**

Where necessary, comparative figures have been restated to correspond to the current year classifications.

**Basis of preparation**

The financial statements of the Fund have been prepared in accordance with NZ GAAP, which is the New Zealand equivalent 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 and financial liabilities 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 and financial liabilities at fair value through profit or loss**

**(a) Classification**

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

**(b) Recognition/derecognition**

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

**(c) Measurement**

Financial assets and financial liabilities 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 and financial liabilities 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 profit or loss in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

**(d) Fair value estimation**

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

**Receivables**

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

**Payables**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

**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 on non-monetary financial assets and financial liabilities such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss.

**Cash and cash equivalents**

Cash and cash equivalents are considered to be cash on hand and current accounts in 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 are those activities that relate to cash contributions to and from, or cash distributions to the Unitholders.

**Units**

The Fund issues units, which provide the holder with a residual 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 Prospectus, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

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

**Dividend income**

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

**Distributions payable to holders of units**

Income from investments held is attributed to Unitholders on the basis of the number of units held at the record date of the unitholder distribution. Proposed distributions to Unitholders are recognised when they become payable as outlined in the Trust Deed.

Distributions to Unitholders are currently made on a semi-annual basis directly from the Fund within 20 Business Days of the Record Date. The Record Date for the Fund is on or around the last Business Day of each of March and September in any year.

**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 entities subject to the Fair Dividend Rate method ('FDR'), if any) from the entities listed in Note 2 after the deduction of management fees. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to Unitholders are imputed to the extent permitted by the imputation credits that the Directors of the entity determine are available.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position 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.

**Securities lending**

The Fund enters into securities lending transactions whereby it transfers assets recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. As all or substantially all risks and rewards are retained, the transferred assets are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**Segment information**

The Fund operates solely in the business of investing in New Zealand equities. The Fund received all its revenue from its New Zealand equity investments. No individual equity investment contributed 10% or more of the Fund's dividend income for 31 March 2016 \$NIL (31 March 2015: \$338,000).

**Changes in accounting standards and accounting standards adopted during the year**

**(a) Changes in accounting policies**

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

**(b) New accounting standards adopted**

There were no new accounting standards adopted during the year 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 31 March 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

1. TAXATION

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
<b>Tax expense comprises:</b>		
Current tax expense	(7)	(10)
Prior period adjustment	3	(26)
Deferred tax movement	11	18
<b>Total tax benefit/(expense)</b>	<b>7</b>	<b>(18)</b>

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

<b>Income tax expense</b>	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
Profit before tax	7,968	10,634
<b>Income tax using the statutory income tax rate 28%</b>	<b>(2,231)</b>	<b>(2,978)</b>
Net changes in fair value of financial assets and financial liabilities	1,626	2,354
Non taxable income	83	86
Tax on securities subject to FDR	(13)	(10)
Deemed dividends	-	(1)
Gross up of imputation credits	(209)	(237)
Accrued dividend movement	-	(54)
	<b>(744)</b>	<b>(840)</b>
Add imputation credits and other tax credits	748	848
Prior period adjustment	3	(26)
<b>Income tax benefit/(expense) as per Statement of Comprehensive Income</b>	<b>7</b>	<b>(18)</b>
<b>Deferred tax</b>	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Opening balance	33	46
Current period movements	11	18
Prior period adjustments	3	(31)
<b>Closing balance</b>	<b>47</b>	<b>33</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**1. TAXATION (Continued)**

**Imputation credit account (ICA)**

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Imputation credits available for use in subsequent periods	259	220

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

	Number of Shares	As at 31 March 2016 Fair Value NZD '000	Number of Shares	As at 31 March 2015 Fair Value NZD '000
<b>Underlying Securities</b>				
Air New Zealand Limited	1,003	2,867	948	2,584
Argosy Property Limited	1,540	1,824	1,439	1,641
A2 Corporation Limited	1,375	2,612	975	546
Chorus Limited	753	3,021	713	2,031
Diligent Board Member Services INC	167	1,176	156	844
DNZ Property Fund Limited	-	-	534	1,042
Ebos Group Limited	158	2,720	164	1,752
Freightways Limited	294	1,868	278	1,742
Fonterra Shareholders Fund	198	1,174	217	1,210
Goodman Property Trust	1,984	2,619	1,829	2,185
Genesis Energy Limited	912	1,870	838	1,878
Heartland New Zealand Limited	819	991	762	976
Infratil Limited	1,069	3,505	1,010	3,212
Kathmandu Holdings Limited	306	505	362	500
Kiwi Property Group Limited	2,426	3,505	2,048	2,651
Meridian Energy Limited	-	-	2,257	4,571
Metlifecare Limited	243	1,274	212	1,001
Mainfreight Limited	159	2,521	150	2,319
Metro Performance Glass Limited	274	461	258	473
Mighty River Power Limited	1,230	3,592	1,140	3,536
Nuplex Industries Limited	358	1,864	356	1,140
NZX Limited	509	520	460	510
Orion Health Group Limited	122	422	99	472
Precinct Properties New Zealand Limited	1,910	2,398	1,763	2,071
Pacific Edge Limited	-	-	573	441
Property for Industry Limited	851	1,391	740	1,165
Port of Tauranga Limited	119	2,184	112	1,902
Restaurant Brands New Zealand Limited	177	859	176	711
Skellerup Holdings Limited	344	441	347	492
Steel & Tube Holdings Limited	172	382	159	453
Summerset Group Holdings Limited	419	1,854	393	1,304

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

2 INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE (Continued)

	As at 31 March 2016		As at 31 March 2015	
	Number of Shares	Fair Value NZD	Number of Shares	Fair Value NZD
	'000	\$'000	'000	\$'000
TrustPower Limited	132	1,011	90	712
Tower Limited	321	571	316	733
Vector Limited	473	1,552	440	1,355
Vital Healthcare Property Trust	499	1,017	467	803
The Warehouse Group Limited	178	516	168	447
Z Energy Limited	-	-	431	2,213
Stride Property Limited	692	1,530	-	-
Trade Me Group Limited	755	3,330	-	-
New Zealand Refining Company Limited	273	847	-	-
Xero limited	143	2,205	-	-
		<u>62,999</u>		<u>53,618</u>

All investments are designated at inception as being at fair value through profit or loss. The fair value of investments is calculated using the last traded market price on the balance sheet date. The investments are registered in the name of JB Were (NZ) Nominees Limited, the Custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

All financial instruments measured at fair value of the Fund have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2016;( 31 March 2015: NIL).

4. EARNINGS PER UNIT

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

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

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
Profit after tax (\$'000)	7,975	10,616
Weighted average numbers of units ('000)	<u>15,550</u>	<u>14,941</u>
Basic and diluted earnings per unit (cents per unit)	<u>51.29</u>	<u>71.05</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Opening distributions payable	1,920	1,350
Distributions accrued to Unitholders	2,162	2,294
Distributed to Unitholders	<u>(2,297)</u>	<u>(1,724)</u>
<b>Closing distribution payable</b>	<b><u>1,785</u></b>	<b><u>1,920</u></b>

**Dividends declared and paid**

		<b>Dividend per unit (cents per unit)</b>	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
March 2014 (paid April 2014))	31/03/2014	5.33	-	809
September 2014 (paid October 2014)	31/03/2015	6.17	-	915
March 2015 (paid April 2015)	31/03/2015	8.19	1,241	-
September 2015 (paid October 2015)	31/03/2016	<u>7.01</u>	<u>1,056</u>	<u>-</u>
			<b><u>2,297</u></b>	<b><u>1,724</u></b>
<b>Dividends declared and not paid</b>				
March 2016 (paid April 2016)	31/03/2016	6.11	992	

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 16,250,000 units on issue (31 March 2015: 15,250,000).

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 year ended 31 March 2016 was 1,300,000 (31 March 2015: 1,239,000) for total value of \$5,330,000 (31 March 2015: \$4,266,000).

The number of units redeemed during the year ended 31 March 2016 was 300,000 (31 March 2015: 1,176,000) for total value of \$1,720,000 (31 March 2015: \$3,815,000).

	<b>For the Year ended 31 March 2016 '000</b>	<b>For the Year ended 31 March 2015 '000</b>
<b>Movement in the number of units</b>		
Balance at beginning of the period	15,250	15,187
Subscriptions received during the period	1,300	1,239
Redemptions made during the period	<u>(300)</u>	<u>(1,176)</u>
<b>Units on issue at end of the period</b>	<b><u>16,250</u></b>	<b><u>15,250</u></b>

The net asset value of each unit per the financial statements is \$3.88954 (31 March 2015: \$3.52664). Any difference between the net asset value announced to market daily and the net asset value per the financial statements is due to different unit pricing methodology.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

7. RELATED PARTY TRANSACTIONS

Key management personnel comprise the Directors of the Manager. There were no transactions with key management personnel during the year.

The Manager is a 100% owned subsidiary of NZX Limited. The Fund holds shares in NZX Limited (refer to note 2) as the NZX Limited shares constitute part of the index the Fund tracks.

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor on behalf of in respect of the Fund and receives all interest earned on cash at call. Total basket application and withdrawal fees for the year ended 31 March 2016 amounted to \$400 (31 March 2015: \$1,200). Total gross management fees excluding rebates for the year ended 31 March 2016 amounted to \$412,000 (31 March 2015: \$370,000), with \$40,000 (31 March 2015: \$36,000) of outstanding accrued management fees due to the Manager at the end of the year. The total interest earned on cash at call for the year ended 31 March 2016 amounted to \$40,000 (31 March 2015: \$43,000). At 31 March 2016 the Fund has a payable to the Manager of \$3,400 and (31 March 2015: \$4,400 payable).

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2016 was \$4,000 (31 March 2015: \$4,000).

The Fund has entered into a securities lending agreement at commercial arms length terms with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2016 the amount of securities the Fund had on loan to NZCL was \$1,639,000 (31 March 2015: \$1,735,000).

Total security lending fees for the year ended 31 March 2016 amounted to \$24,000 (31 March 2015: \$25,000), with accrued fees due to the Fund of \$1,000 (31 March 2015: \$2,500).

The fees earned by the fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income by the Manager for administering the securities lending agreement.

SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, is an investor in the Fund. As at 31 March 2016, SuperLife superannuation scheme held 1,088,965 units (31 March 2015: NIL) valued at \$4,272,000 (31 March 2015: \$NIL) in the Fund. The Fund paid distributions of \$67,000 (31 March 2015: \$NIL) to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the year is \$66,000 (31 March 2015: \$NIL).

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 accordance to 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	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
<i>Loans and receivables</i>		
Cash and cash equivalents	4,420	1,900
Receivables	322	413
Other current assets	1	3
<i>Financial assets and financial liabilities at fair value through profit and loss</i>		
Investments in equity securities held at fair value through profit or loss	62,999	53,618
<i>Other financial liabilities</i>		
Management fees payable	40	36
Other current liabilities	3	4
Funds held for unit purchases	2,756	230
Distributions payable to Unitholders	1,785	1,920

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**8. FINANCIAL RISK MANAGEMENT (Continued)**

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The Fund does not have exposure to currency risk and interest rate risk. The risk management policies used by the Fund are detailed below:

**8a. Market price risk**

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

The Fund's market price risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss. In accordance with the terms of the Trust Deed the Manager does not manage this risk.

A 10% increase/decrease of equity prices as at 31 March 2016 would increase/decrease profit and unitholder funds by \$6,299,900 (31 March 2015: \$5,362,000).

**8b. 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 accounts receivable.

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:

	As at Year ended 31 March 2016 \$'000	As at Year ended 31 March 2015 \$'000
Cash and cash equivalents	4,420	1,900
Receivables	322	413
Other current assets	1	3

**8c. Liquidity risk**

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

The Fund's listed securities are considered readily realisable, as they are quoted on the NZX Main Board. For the Fund, liquidity risk associated with redemptions is managed by prescribing redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

**8d. Securities lending risk**

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities could fail to deliver equivalent securities on termination of a loan or encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund could result in errors, fraud or misconduct that cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2016, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed by collateral of the borrower. On 31 March 2016 the amount of securities the Fund had on loan to NZCL was \$1,639,000 (31 March 2015: \$1,735,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016 (31 March 2015:Nil).

**10. EVENTS AFTER THE REPORTING PERIOD**

Since 31 March 2016 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.



## Independent auditor's report

### To the Unitholders of NZX MidCap Index Fund

We have audited the accompanying financial statements of NZX MidCap Index Fund ("the Fund") on pages 65 to 78. The financial statements comprise the statement of financial position as at 31 March 2016, the statements of comprehensive income, changes in unitholder funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Unitholders as a body. Our audit work has been undertaken so that we might state to the fund's Unitholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund's Unitholders as a body, for our audit work, this report or any of the opinions we have formed.

#### *Directors' responsibility for the financial statements*

The Directors are responsible on behalf of the fund for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Employees of our firm may also deal with the Fund on normal terms within the ordinary course of business of the Fund. This matter has not impaired our independence as auditor of the Fund. The firm has no other relationship with, or interest in, the Fund.



*Opinion*

In our opinion, the financial statements on pages 65 to 78 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of NZX MidCap Index Fund as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in black ink.

27 May 2016  
Wellington

# Unitholder Information

## DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS (MDZ) AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	371	18.97%	152,438	0.88%
1,001-5,000	710	36.30%	1,946,862	11.29%
5,001-10,000	466	23.82%	3,305,366	19.16%
10,001-50,000	385	19.68%	6,983,755	40.49%
50,001-100,000	13	0.66%	769,315	4.46%
Greater than 100,000	11	0.56%	4,092,487	23.72%
<b>TOTAL</b>	<b>1,956</b>	<b>100.00%</b>	<b>17,250,223</b>	<b>100.00%</b>

## 20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES AS AT 30 APRIL 2016

Full Name	Total	Percentage
Superlife Trustee Nominees Limited	1,341,465	7.78
New Zealand Central Securities Depository Limited	769,969	4.46
Anna Elisabeth Minnaar	636,686	3.69
Custodial Services Limited	361,208	2.09
New Zealand Law Foundation	214,252	1.24
Custodial Services Limited	188,082	1.09
Peter French Meyer	131,300	0.76
Custodial Services Limited	118,671	0.69
Custodial Services Limited	117,346	0.68
North Star Trustees Limited	109,008	0.63
Keith Orsbourne Ballagh & Josephine Jane Frances Ballagh	104,500	0.61
Gwenda Heron Trustee Limited	91,378	0.53
Geoffrey Wayne Smith	73,315	0.43
Judith Rae Timpany & Claire Louise Timpany & Fiona Helen Timpany	65,004	0.38
Lewis John Randal	56,904	0.33
Christopher Alan Lee Brice	56,780	0.33
Graeme Robert Young	56,780	0.33
Kerry Wayne Petersen & Beverly Petersen	56,395	0.33
Kathryn May Kelly & Logan Leith Trustee Limited	56,160	0.33
David Owen Neill & Jennifer Jill Neill & Lindsay John Brown	52,950	0.31
	<b>4,658,153</b>	<b>27.02</b>

## SUBSTANTIAL PRODUCT HOLDERS

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 31 March 2016. The total number of units on issue at 31 March 2016 was 16,250,223.

## DIRECTORS' INTERESTS IN UNITS AS AT 31 MARCH 2016

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	117*	0
Tim Bennett (appointed 27 August 2013)	379*	0
Guy Elliffe (Appointed 6 November 2015)	0	0
John Williams (Appointed 6 November 2015)	0	0

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

## WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2016:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>1.14 - Rules Which Apply to Issuers</li> <li>3.1.1(a) – Compliance with the Listing Rules</li> <li>3.1.1(b) – Compliance with Takeover Provisions</li> <li>3.1.3 – Compliance with the provisions in Appendix 6</li> <li>3.3.5 to 3.3.15 - Appointment and Rotation of Directors</li> <li>3.4 – Proceedings and Powers of Directors</li> <li>3.5 – Directors' Remuneration</li> <li>Section 4 - Takeover Provisions</li> <li>7.1.7 – Regulation 39 statements for Offering Documents</li> <li>7.1.11 – Minimum Subscription</li> <li>7.3 – Issues of New Equity Securities</li> <li>7.4 – Entitlements to Third Party Securities</li> <li>7.5 – Issues and Buybacks of Securities Affecting Control</li> <li>7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance</li> <li>7.11.1 – Time for Allotment</li> <li>7.12.2 – Notification of event affecting Securities</li> <li>8.2.1 to 8.2.3 – Lien on Distributions</li> <li>8.3.1 - Modifications of Rights of Security Holders</li> <li>9.1.1(b) – Disposition or Acquisition of Assets</li> </ul> | <ul style="list-style-type: none"> <li>9.2.1 – Material Transactions with Related Parties</li> <li>10.3 - Preliminary Announcements</li> <li>10.4.1 - Annual and Half-Year Reports</li> <li>10.4.2 - Half-Yearly reporting requirements</li> <li>10.6.1 - Other Administrative Information</li> <li>11.1.1 – Restrictions on Transfers</li> <li>11.2.3(a) – Statements after Issues or Transfers</li> </ul> |
|--|---|

# NZX Australian Midcap Index Fund (MZY)

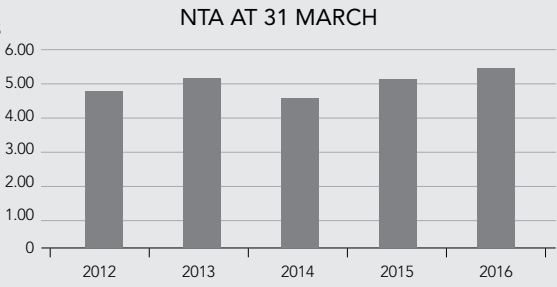
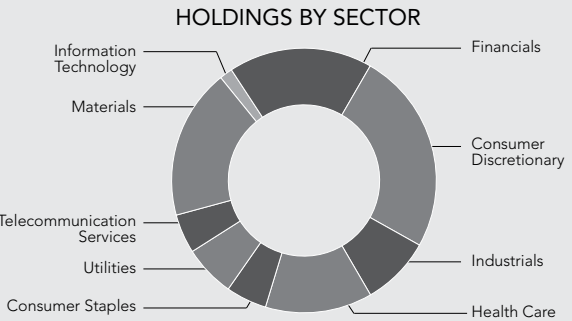
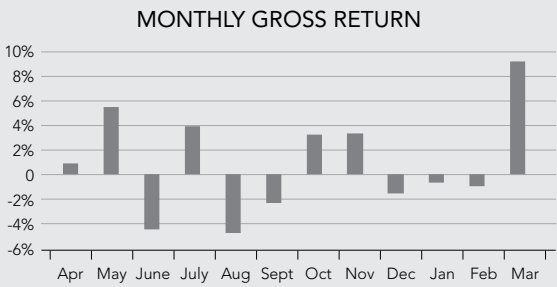
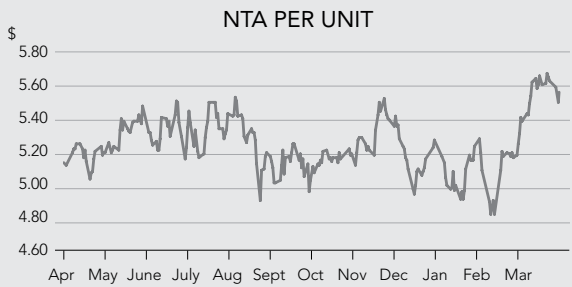
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016  
Presented by Smartshares Limited, Manager of the NZX Australian Midcap Index Fund

## Report to Unitholders

### HIGHLIGHTS

Launch Date 27-Sep-04

	March 2016	March 2015
Net Tangible Assets (NTA)	\$5.558	\$5.153
Units On Issue	13,382,274	10,382,274
Funds Under Management	\$74,373,192	\$53,496,432
Full Year Gross Distribution	\$0.106	\$0.144
Gross Distribution Yield	1.91%	2.83%
Gross Return	9.97%	15.10%
Fees	0.75%	0.75%
Distributions paid	Semi-annually	



**DIRECTORY****THE MANAGER**

Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

This is also the address of the registered office.

**DIRECTORS OF THE MANAGER**

Bevan K. Miller  
Kristin A. Brandon (resigned 6 Nov 2015)  
Timothy O. Bennett  
Guy R. Elliffe (appointed 6 Nov 2015)  
A. John Williams (appointed 6 Nov 2015)

**SOLICITORS**

Buddle Findlay  
Level 17, State Insurance Tower  
1 Willis Street, Wellington 6140  
NEW ZEALAND

**INVESTMENT CUSTODIAN**

JB Were (NZ) Nominees Limited

**AUDITOR**

KPMG  
10 Customhouse Quay  
PO Box 996, Wellington 6140  
NEW ZEALAND

**REGISTRAR**

Link Market Services Limited

**THE TRUSTEE**

The New Zealand Guardian Trust Company Limited  
Level 13, 191 Queen Street  
PO Box 1934, Shortland Street, Auckland 1010  
NEW ZEALAND

**DIRECTORS OF THE TRUSTEE**

Andrew H. Barnes  
James E. Douglas  
Robin A. Flannagan  
Timothy J. Shaw  
Christopher R. Darlow (appointed 10 Feb 2015; resigned 20 Aug 2015)

**THE INVESTMENT MANAGER**

Smartshares Limited  
Level 1, NZX Centre,  
11 Cable Street, Wellington 6140  
NEW ZEALAND

**INVESTMENT ADMINISTRATOR**

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.

All correspondence and enquiries to the Trustee about the Fund should be addressed to the Trustee, The New Zealand Guardian Trust Company Limited, at the above address.

The Manager and the Trustee are parties to a Trust Deed dated 10 August 2004 (the "Trust Deed") which sets out the terms and conditions on which units in unit trusts managed by the Manager will be offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each unit trust is to be established by the Manager and the Trustee entering into a Unit Trust Establishment Deed setting out the specific terms and conditions relating to that Trust.

The Manager has resolved to establish a Unit Trust to be known as NZX Australian Midcap Index Fund and the Trustee and the Manager have entered into a Trust Deed for the purpose of establishing the Unit Trust and the terms and conditions applicable to it.

**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 give a true and fair view of the financial position of the Fund as at 31 March 2016, and of the results of its financial performance and cash flows for the year ended 31 March 2016, in accordance with the requirement of the Trust Deed dated 10 August 2004.

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 27 May 2016.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016**

		For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
	Note		
<b>INCOME</b>			
Dividend income		2,407	1,961
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		4,898	5,335
Foreign exchange gain		<u>20</u>	<u>-</u>
<b>Total investment income</b>		<b>7,325</b>	<b>7,296</b>
<b>EXPENSES</b>			
Management fee expense	7	436	375
Foreign exchange loss		<u>-</u>	<u>6</u>
<b>Total expenses</b>		<b>436</b>	<b>381</b>
<b>Profit before tax</b>		<b>6,889</b>	<b>6,915</b>
Income tax expense	1	<u>582</u>	<u>415</u>
<b>Total income tax expense</b>		<b>582</b>	<b>415</b>
<b>Profit after tax</b>		<b>6,307</b>	<b>6,500</b>
<b>Total comprehensive income</b>		<b><u>6,307</u></b>	<b><u>6,500</u></b>
<b>EARNINGS PER UNIT</b>			
Basic and diluted earnings per unit (cents per unit)	4	<b><u>55.23</u></b>	<b><u>66.97</u></b>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2016

		For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
Unitholders' funds at beginning of the year		53,600	45,625
Profit after tax		6,307	6,500
Total comprehensive income/(loss) for the year		6,307	6,500
Subscriptions from Unitholders	6	15,742	4,757
Redemptions by Unitholders	6	(411)	(2,240)
Distributions to Unitholders	5	(1,478)	(1,042)
		13,853	1,475
Unitholders' funds at the end of the year		73,760	53,600

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2016**

		As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
	Note		
<b>ASSETS</b>			
Cash and cash equivalents		1,739	1,274
Receivables		341	214
Investments in equity securities held at fair value through profit or loss	2	<u>73,681</u>	<u>53,246</u>
<b>TOTAL ASSETS</b>		<b><u>75,761</u></b>	<b><u>54,734</u></b>
<b>LIABILITIES</b>			
Management fees payable	7	47	35
Taxation payable		245	141
Funds held for unit purchases		2	26
Distribution payable to Unitholders	5	1,707	928
Other current liabilities		<u>-</u>	<u>4</u>
<b>TOTAL LIABILITIES</b>		<b><u>2,001</u></b>	<b><u>1,134</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>73,760</u></b>	<b><u>53,600</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>75,761</u></b>	<b><u>54,734</u></b>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the Financial Statements on 27 May 2016.



-----  
B Miller  
Chairman  
Smartshares Limited



-----  
G Elliffe  
Director  
Smartshares Limited

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Dividend income received	2,228	1,986
<i>Cash was applied to:</i>		
Management fees paid	(424)	(370)
Taxation paid	(426)	(419)
<b>Net cash flows from operating activities</b>	<b>1,378</b>	<b>1,197</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of investments	18,080	10,727
<i>Cash was applied to:</i>		
Purchase of investments	(21,946)	(13,572)
Net repayments to the Manager	(4)	-
<b>Net cash flows from investing activities</b>	<b>(3,870)</b>	<b>(2,845)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions received from Unitholders	3,666	2,821
<i>Cash was applied to:</i>		
Redemptions by Unitholders	(5)	-
Distribution paid to Unitholders	(314)	(439)
Distribution paid for dividend reinvestment	(388)	(549)
<b>Net cash flows from financing activities</b>	<b>2,959</b>	<b>1,833</b>
<b>Net increase in cash and cash equivalents</b>	<b>467</b>	<b>185</b>
Cash and cash equivalents at beginning of year	1,274	1,094
Effect of exchange rate fluctuations on cash and cash equivalents	(2)	(5)
<b>Cash and cash equivalents at the end of year</b>	<b>1,739</b>	<b>1,274</b>
<b>Reconciliation profit after tax to net cash flows from operating activities</b>		
Profit after tax	6,307	6,500
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(4,898)	(5,335)
Net changes in foreign exchange	(20)	6
Increase in taxation payable	104	63
(Decrease) in deferred tax liability	-	(67)
Increase in management fees payable	12	5
(Increase)/decrease in receivables	(127)	25
<b>Net cash flows from operating activities</b>	<b>1,378</b>	<b>1,197</b>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### GENERAL INFORMATION

The NZX Australian Midcap Index Fund (the 'Fund') is a for-profit open-ended Group Investment Fund established under the Trustee Companies Act 1967 and a Trust Deed dated 10 August 2004. The Fund is a listed issuer and therefore under the Financial Markets Conduct Act 2013 ('FMC') a FMC reporting entity for the purposes of the Financial Reporting Act 2013. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders. Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. All changes in the value of investments, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund was first listed on 27 September 2004.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The fund is a passive investment fund that tracks the ASX S&P Australian Midcap Index (the 'Index'). As prescribed by the Trust Deed, the Fund only invests in the securities included in the Index in proportion to the weightings of the Index and the available capital of the Fund. The Fund's units are quoted on the NZX Main Board. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 31 March 2016 (see Note 2).

### STATEMENT OF ACCOUNTING POLICIES

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

#### Comparative amounts

Where necessary, comparative figures have been restated to correspond to the current year classification.

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with NZ GAAP which is the New Zealand equivalent to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost basis except for financial assets and financial liabilities at fair value through profit or loss, which are measured at fair value. 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 Board of Directors to exercise its judgment in the process of applying the Fund's Statement of Accounting Policies.

#### Financial assets and financial liabilities at fair value through profit or loss

##### (a) Classification

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

##### (b) Recognition/derecognition

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

##### (c) Measurement

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

##### (d) Fair value estimation

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

#### Receivables

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

#### Payables

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

**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 on non-monetary financial assets and financial liabilities such as equities held at fair value through profit and loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss.

**Cash and cash equivalents**

Cash and cash equivalents are considered to be cash on hand and current accounts in 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 are those activities that relate to cash contributions to and from, or cash distributions to the Unitholders.

**Units**

The Fund issues units, which provide the holder with a residual 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 Prospectus, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

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

**Dividend income**

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

**Distributions payable to holders of units**

Income from investments held is attributed to Unitholders on the basis of the number of units held at the record date of the Unitholder distribution. Proposed distributions to Unitholders are recognised when they become payable as outlined in the Trust Deed.

Distributions are currently made on a six monthly basis to Unitholders directly from the Fund within 20 business days of the last business day in each of March and September in any year.

**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 entities subject to the Fair Dividend Rate method ('FDR'), if any) from the entities listed in Note 2 after the deduction of management fees. With a small proportion of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to Unitholders are imputed to the extent permitted by the imputation credits that the directors of the entity determine are available.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position 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 Australian equities. The Fund received all its revenue from its Australian investments. No individual equity investment contributed 10% or more of the Fund's dividend income for the year ended 31 March 2016 (31 March 2015: NIL).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**Changes in accounting standards and accounting standards adopted during the year**

**(a) Changes in accounting policies**

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

**(b) New accounting standards adopted**

There were no new accounting standards adopted during the year 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 31 March 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

1. TAXATION

	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
<b>Tax expense comprises:</b>		
Current tax expense	(572)	(493)
Prior period adjustment	(10)	11
Deferred tax movement	-	67
<b>Total tax expense</b>	<b>(582)</b>	<b>(415)</b>

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

<b>Income tax expense</b>	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Year ended 31 March 2015 \$'000</b>
Profit before tax	6,889	6,915
<b>Income tax using the statutory income tax rate 28%</b>	<b>(1,929)</b>	<b>(1,936)</b>
Net changes in fair value of financial assets and financial liabilities	1,372	1,493
Non taxable income	98	127
Tax on securities subject to FDR	(113)	(110)
	<b>(572)</b>	<b>(426)</b>
Prior period adjustment	(10)	11
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b>(582)</b>	<b>(415)</b>

<b>Deferred tax</b>	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Opening balance	-	67
Current period movements	-	-
Prior period adjustments	-	(67)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

<b>Imputation credit account (ICA)</b>	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Imputation credits available for use in subsequent periods	294	142

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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

	<b>As at 31 March 2016</b>			<b>As at 31 March 2015</b>		
	<b>Number of Shares '000</b>	<b>Fair Value AUD \$'000</b>	<b>Fair Value NZD \$'000</b>	<b>Number of Shares '000</b>	<b>Fair Value AUD \$'000</b>	<b>Fair Value NZD \$'000</b>
<b>Underlying securities</b>						
Adelaide Brighton Ltd	183	928	1,028	148	668	683
Aristocrat Leisure Limited	246	2,538	2,812	194	1,636	1,672
ALS Ltd	201	802	888	131	649	663
Alumina Ltd	1,018	1,323	1,466	820	1,316	1,345
Ansell Ltd	63	1,094	1,212	51	1,404	1,435
Qube Holdings Limited	74	174	192	-	-	-
Ausnet Services Ltd	697	1,038	1,150	548	800	818
Bank of Queensland Ltd	155	1,875	2,077	122	1,678	1,715
Bendigo and Adelaide Bank Limited	184	1,635	1,812	149	1,864	1,905
Beach Energy Limited	-	-	-	369	374	383
Bluescope Steel Ltd	233	1,440	1,596	188	784	801
Boral Ltd	306	1,892	2,096	260	1,656	1,693
Carsales Com Limited	91	1,071	1,187	71	731	747
Challenger Financial Services Group Limited	232	1,948	2,158	187	1,341	1,371
Cimic Group Limited	41	1,442	1,597	-	-	-
Cochlear Limited	23	2,381	2,638	19	1,698	1,735
CSR Limited	212	701	777	171	690	705
Caltex Australia Limited	-	-	-	45	1,565	1,599
Dominos Pizza Enterprises Limited	26	1,493	1,654	-	-	-
Downer EDI Ltd	179	687	761	144	645	659
Duet Group	831	1,895	2,100	449	1,146	1,171
Dulux Group Ltd	157	985	1,092	126	809	827
Echo Entertainment Group	-	-	-	259	1,171	1,196
Federation Centres	-	-	-	473	1,439	1,471
Fairfax Media Limited	983	845	937	792	756	773
Flight Centre Travel Group Limited	23	1,004	1,112	19	742	758
Fortescue Metals Group Limited	700	1,786	1,979	-	-	-
Graincorp Ltd	75	567	628	61	570	582
Harvey Norman Holdings Ltd	246	1,156	1,281	198	882	901
Healthscope Limited	713	1,897	2,101	356	1,090	1,114
Henderson Group PLC	247	1,209	1,340	241	1,334	1,363
Iluka Resources Limited	172	1,130	1,252	139	1,180	1,206
Investa Office Fund	253	1,059	1,173	204	794	812
IOOF Holdings Ltd	109	964	1,068	88	901	921
JB Hifi Limited	40	944	1,045	32	602	615
Leighton Holdings Limited	-	-	-	33	707	722
Magellan Financial Group Ltd	54	1,215	1,346	42	822	840
Metcash Limited	-	-	-	300	464	475
Crown Resorts Limited	156	1,943	2,152	-	-	-
Vocus Communications Limited	219	1,824	2,021	-	-	-
CYBG Plc	271	1,069	1,184	-	-	-
Navitas Limited	126	639	708	101	497	508
Orora Limited	497	1,242	1,376	400	908	928

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE (Continued)

	As at 31 March 2016			As at 31 March 2015		
	Number of Shares '000	Fair Value AUD \$'000	Fair Value NZD \$'000	Number of Shares '000	Fair Value AUD \$'000	Fair Value NZD \$'000
<b>Underlying securities</b>						
Perpetual Limited	19	847	938	16	862	880
Primary Health Care Ltd	183	687	762	166	913	933
Qantas Airways Ltd	-	-	-	728	2,274	2,322
Qube Holdings Limited	336	794	879	-	-	-
REA Group Limited	20	1,084	1,201	16	768	785
Recall Holdings Limited	128	959	1,062	103	797	815
ResMed Inc	247	1,837	2,035	251	2,330	2,381
Sims Metal Management Ltd	-	-	-	55	682	697
Spotless Group Holdings Limited	452	570	631	-	-	-
Spark Infrastructure Group	632	1,308	1,449	444	879	898
Sirtex Medical Limited	24	681	755	-	-	-
TAB Corp Holdings Limited	340	1,456	1,613	274	1,299	1,328
Transpacific Industries Group Limited	-	-	-	524	416	425
Tatts Group Limited	601	2,273	2,518	476	1,894	1,935
TPG Telecom Limited	129	1,457	1,615	97	891	911
Treasury Wine Estates	300	2,889	3,201	213	1,091	1,115
WorleyParsons Limited	-	-	-	73	693	709
The Star Entertainment Group Limited	321	1,826	2,026	-	-	-
		<u>66,503</u>	<u>73,681</u>		<u>52,102</u>	<u>53,246</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price on the Statement of Financial Position date. The exchange rate used was 0.9026 (31 March 2015: 0.9785). The investments are registered in the name of JB Were (NZ) Nominees Limited, the Custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

All financial instruments measured at fair value of the Fund have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2016 (31 March 2015: NIL).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the profit/(loss) attributable to the Unitholders by the weighted average number of units on issue during the year.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**4. EARNINGS PER UNIT (Continued)**

	For the Year ended 31 March 2016	For the Year ended 31 March 2015
Profit after tax (\$'000)	6,307	6,500
Weighted average number of units ('000)	<u>11,420</u>	<u>9,707</u>
<b>Basic and diluted earnings per unit (cents per unit)</b>	<b><u>55.23</u></b>	<b><u>66.97</u></b>

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Opening distributions payable	928	874
Distributions accrued to Unitholders	1,481	1,042
Distributed to Unitholders	<u>(702)</u>	<u>(988)</u>
<b>Closing distribution payable</b>	<b><u>1,707</u></b>	<b><u>928</u></b>

**Dividends declared and paid**

		Dividend per unit (cents per unit)	For the Year ended 31 March 2016 \$'000	For the Year ended 31 March 2015 \$'000
March 2014 (paid April 2014)	31/03/2014	4.61	-	456
September 2014 (paid October 2014)	31/03/2015	5.33	-	532
March 2015 (paid April 2015)	31/03/2015	5.24	539	-
September 2015 (paid October 2015)	31/03/2016	<u>1.55</u>	<u>163</u>	<u>-</u>
			<b><u>702</u></b>	<b><u>988</u></b>
<b>Dividends declared and not paid</b>				
March 2016 (paid April 2016)	31/03/2016	6.07	812	

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 13,382,000 units on issue (31 March 2015: 10,382,000).

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 year ended 31 March 2016 was 3,075,000 (31 March 2015: 961,000) for total value of \$15,742,000 (31 March 2015: \$4,757,000).

The number of units redeemed during the year ended 31 March 2016 was 75,000 (31 March 2015: 462,000) for total value of \$411,000 (31 March 2015: \$2,240,000).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

6. UNITHOLDERS' FUNDS (Continued)

	For the Year ended 31 March 2016 '000	For the Year ended 31 March 2015 '000
<b>Movement in the number of units</b>		
Balance at beginning of the year	10,382	9,883
Subscriptions received during the year	3,075	961
Redemptions made during the year	(75)	(462)
<b>Units on issue at end of the year</b>	<b>13,382</b>	<b>10,382</b>

The net asset value of each unit per the financial statements is \$5.51188 (31 March 2015: \$5.16265). Any difference between the net asset value announced to market daily and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

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

The Manager is a 100% owned subsidiary of NZX Limited.

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditors on behalf of the Fund and receives all basket application and withdrawal fees and interest earned on cash at call.

Total basket application and withdrawal fees for the year ended 31 March 2016 amounted to \$NIL (31 March 2015: \$250).

The total interest earned on cash at call for the year ended 31 March 2016 amounted to \$34,000 (31 March 2015: \$33,000).

Total gross management fees excluding rebates for the year ended 31 March 2016 amounted to \$436,000 (31 March 2015: \$375,000) with \$47,000 (31 March 2015: \$35,000) of outstanding accrued management fees due to the Manager at the end of the year.

At 31 March 2016 the Fund has other amounts payable to the Manager of \$2,000 (31 March 2015: \$4,000).

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2016 was \$4,000 (30 September 2015: \$4,000).

SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, is an investor in the Fund. As at 31 March 2016, SuperLife superannuation scheme held 4,974,321 units (31 March 2015: 26,092) valued at \$27,679,000 (31 March 2015: \$134,000) in the Fund. The Fund paid distributions of \$307,000 (31 March 2015: \$1,000) to SuperLife superannuation scheme. Of the balance, total remaining as payable at the end of the year is \$302,000 (31 March 2015: \$1,000).

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**8. FINANCIAL RISK MANAGEMENT (Continued)**

**Financial instruments by category**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
<u><i>Loans and receivables</i></u>		
Cash and cash equivalents	1,739	1,274
Receivables	341	214
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>		
Investments in equity securities held at fair value through profit or loss	73,681	53,246
<u><i>Other financial liabilities</i></u>		
Management fees payable	47	35
Other current liabilities	-	4
Funds held for unit purchases	2	26
Distributions payable to Unitholders	1,707	928

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, currency risk and liquidity risk. The Fund does not have exposure to interest rate risk. The risk management policies used by the Fund are detailed below:

**8a. Market price risk**

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

The Fund's market price risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease of equity prices as at 31 March 2016 would increase/decrease net profit and Unitholder funds by \$7,368,000 (31 March 2015: \$5,325,000).

**8b. 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 accounts receivable.

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:

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Cash and cash equivalents	1,739	1,274
Receivables	341	214

**8c. Liquidity risk**

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

The Fund's listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. For the Fund, liquidity risk associated with redemptions is managed by prescribing 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

8. FINANCIAL RISK MANAGEMENT (Continued)

8d. Currency risk

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

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

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$7,414,000 (31 March 2015: \$4,873,000).

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

NZD concentration of assets and liabilities under Australian dollars (AUD)

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Australian dollar cash held (NZD)	106	138
Receivables	351	214
Investment securities designated at fair value	73,681	53,246

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2016 (31 March 2015: NIL).

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2016 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.



## Independent auditor's report

### To the Unitholders of NZX Australian Midcap Index Fund

We have audited the accompanying financial statements of NZX Australian Midcap Index Fund ("the Fund") on pages 85 to 98. The financial statements comprise the statement of financial position as at 31 March 2016, the statements of comprehensive income, changes in unitholders funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Unitholders as a body. Our audit work has been undertaken so that we might state to the fund's Unitholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund's Unitholders as a body, for our audit work, this report or any of the opinions we have formed.

#### *Directors' responsibility for the financial statements*

The Directors are responsible on behalf of the fund for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Employees of our firm may also deal with the Fund on normal terms within the ordinary course of business of the Fund. This matter has not impaired our independence as auditor of the Fund. The firm has no other relationship with, or interest in, the Fund.



*Opinion*

In our opinion, the financial statements on pages 85 to 98 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of NZX Australian Midcap Index Fund as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in dark ink.

27 May 2016  
Wellington

# Unitholder Information

## DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS (MZY) AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	628	31.73%	244,022	1.81%
1,001-5,000	938	47.40%	2,207,179	16.40%
5,001-10,000	261	13.19%	1,792,069	13.32%
10,001-50,000	141	7.12%	2,543,579	18.90%
50,001-100,000	5	0.25%	330,674	2.46%
Greater than 100,000	6	0.30%	6,339,751	47.11%
<b>TOTAL</b>	<b>1,979</b>	<b>100.00%</b>	<b>13,457,274</b>	<b>100.00%</b>

## 20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES AS AT 30 APRIL 2016

Full Name	Total	Percentage
Superlife Trustee Nominees Limited	5,109,838	37.97
Anna Elisabeth Minnaar	478,652	3.56
New Zealand Central Securities Depository Limited	266,817	1.98
Custodial Services Limited	198,445	1.47
Forsyth Barr Custodians Ltd	143,075	1.06
Philippa Jane Stubbins & Comac Trustee Limited	142,924	1.06
FNZ Custodians Limited	90,330	0.67
FNZ Custodians Limited	79,940	0.59
Custodial Services Limited	54,126	0.40
Custodial Services Limited	53,576	0.40
Elwyn Dianne Mayall	52,702	0.39
Gavin Ronald Walker & Susan Eleanor Walker & William Malcom Patterson	43,918	0.33
Gavin Ronald Walker & Susan Eleanor Walker & William Malcolm Patterson	43,918	0.33
North Star Trustees Limited	41,689	0.31
Christopher Graham Paice	40,143	0.30
Richard Murray Lawson	39,456	0.29
Michael Geoffrey Byrne & Catherine Anne Byrne	38,950	0.29
Alastair John Kenworthy	37,610	0.28
Richard James Coleman	37,040	0.28
Investment Custodial Services Limited	37,030	0.28
	<b>7,030,179</b>	<b>52.24</b>

## SUBSTANTIAL PRODUCT HOLDERS

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 31 March 2016. The total number of units on issue at 31 March 2016 was 13,382,274.

## DIRECTORS' INTERESTS IN UNITS AS AT 31 MARCH 2016

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	407*	0
Tim Bennett (appointed 27 August 2013)	1,043*	0
Guy Elliffe (Appointed 6 November 2015)	0	0
John Williams (Appointed 6 November 2015)	0	0

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

## WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2016:

1.14 - Rules Which Apply to Issuers	9.2.1(a) – Material Transactions with Related Parties
3.1.1(a) – Compliance with the Listing Rules	10.3 - Preliminary Announcements
3.1.1(b) - Compliance with Takeover Provisions	10.3.1 - Announcement of Material Information
3.1.3 – Compliance with the provisions in Appendix 6	10.4.1 - Annual and Half-Year Reports
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	10.4.2 - Half-Yearly reporting requirements
3.4 – Proceedings and Powers of Directors	10.6.1 - Other Administrative Information
3.5 – Directors' Remuneration	11.1.1 – Restrictions on Transfers
Section 4 - Takeover Provisions	11.2.3 – Statements after Issues or Transfers
7.1.7 – Regulation 39 statements for Offering Documents	Appendix 2 – Minimum Holding
7.1.11 – Minimum Subscription	
7.12.2 - Distribution disclosure requirements	
7.3 – Issues of New Equity Securities	
7.4 – Entitlements to Third Party Securities	
7.5 – Issues and Buybacks of Securities Affecting Control	
7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance	
7.11.1 – Time for Allotment	
7.12.2 – Notification of event affecting Securities	
8.2.1 to 8.2.3 – Lien on Distributions	
8.3.1 - Modifications of Rights of Security Holder	
9.1.1(b) – Disposition or Acquisition of Assets	

# Corporate Governance

This section describes the current practices of Smartshares Limited relating to corporate governance matters.

Smartshares Limited’s corporate governance arrangements differ from those contained in the Corporate Governance Best Practice Code (**Code**) set out in Appendix 16 of the NZX Main Board Listing Rules (**Rules**). This is because Smartshares Limited does not choose the underlying investments of the Funds. Rather, these reflect the composition of each Fund’s benchmark and/or are chosen by external managers based on investment management agreements. In addition, unlike shareholders in a listed company, the financial performance and corporate governance arrangements of Smartshares Limited have little effect on unitholders. The Trustee of each Fund also acts on behalf of unitholders, to oversee Smartshares Limited’s conduct as manager of the Funds.

Smartshares Limited, as a wholly-owned subsidiary within the NZX Group, has elected to adopt NZX’s directors’ code of ethics, which provides a set of principles that Directors of Smartshares Limited apply in discharging their governance responsibilities.

## THE BOARD

As at 31 March 2016, the Board comprised four Directors, Bevan Miller (Chair), Tim Bennett, Guy Elliffe and John Williams. Mr Miller and Mr Bennett are employees of NZX Limited and therefore non-independent, Executive Directors as defined in the Rules. Mr Elliffe and Mr Williams were appointed to the Board in November 2016 and are each Independent Directors for the purposes of the Rules<sup>1</sup>. Services are provided to Smartshares Limited by employees of NZX. The Board is responsible for the direction and supervision of the business and affairs of the Manager and its management of the Smartshares Funds.

## COMMITTEES

The Board of the Manager has one standing committee, an Audit Committee, comprising Mr Elliffe, (Committee Chairman), Mr Miller and Mr Williams. In March 2011, the Board resolved to adopt the formal Audit Committee Terms of Reference, which sets out the Audit Committee’s role in assisting the Board with financial reporting and audit matters, and proposes that the Audit Committee will meet at least once annually.

Smartshares Limited has no remuneration or nomination committee. There is no nomination committee as the Manager is a wholly-owned subsidiary of NZX, which appoints Directors to the Board of the Manager. The NZX Human Resources and Remuneration Committee considers the appointment and remuneration of the Directors of Smartshares. No Director received any remuneration from Smartshares Limited during the year. The Independent Directors are entitled to remuneration and other benefits from NZX, in their capacity as Independent Directors of Smartshares Limited. The total amount of remuneration and other benefits to which each Independent Director was entitled for the year is as listed next to their names below:

Director	Remuneration
Guy Elliffe <sup>2</sup>	\$12,500
John Williams <sup>3</sup>	\$12,500

The Manager is entitled to remuneration in respect of its management of the Funds. Information about the remuneration received by the Manager for the financial year ended March 2016 can be found in the financial statements for the Funds set out in this report.

## INSURANCE AND INDEMNIFICATION

NZX pays premiums in respect of directors’ liability insurance. The policies do not specify a premium for individuals.

The insurance provides cover against costs and expenses involved in defending legal actions and any damages or judgments awarded or entered against the individual, settlements negotiated and any legal costs or expenses awarded against the individual arising from a liability to persons (other than the company or a related body corporate) incurred in their position as a director unless the conduct involves a wilful breach of duty, improper use of inside information or position to gain any profit or advantage or any criminal, dishonest, fraudulent or malicious acts or omissions or any knowing or wilful violation of any statute or regulation.

NZX has granted indemnities to Smartshares Limited’s Directors in relation to potential liabilities and costs they may incur for acts or omissions in their role as a director of an NZX subsidiary. Similar exclusions to those under the insurance apply.

2015/2016 BOARD AND COMMITTEE ATTENDANCE		
Director	Smartshares Board Attendance	
Bevan Miller (Chair)	14 /15	(Director for 15 meetings)
Tim Bennett	13/15	(Director for 15 meetings)
Guy Elliffe <sup>4</sup>	6/6	(Director for 6 meetings)
John Williams <sup>5</sup>	6/6	(Director for 6 meetings)
Kristin Brandon <sup>6</sup>	8/9	(Director for 9 meetings)
Audit Committee Attendance		
Audit Committee Members	Audit Committee Attendance	
Guy Elliffe (Chair) <sup>7</sup>	2/2	(Member for 2 meetings)
John Williams <sup>8</sup>	2/2	(Member for 2 meetings)
Bevan Miller	4/4	(Member for 4 meetings)
Neil Paviour-Smith (Chair) <sup>9</sup>	2/2	(Member for 2 meetings)
Dame Therese Walsh <sup>10</sup>	2/2	(Member for 2 meetings)

1 The Special Division granted a waiver from Rule 3.3.1(c) and 3.6.2(c), to the extent that the appointment of each of Mr Elliffe and Mr Williams to the board of SuperLife Limited on 9 May 2016, did not cause them to have a Disqualifying Relationship for the purposes of the Rules.

2 Appointed 6 November 2015

3 Appointed 6 November 2015

4 Appointed 6 November 2015

5 Appointed 6 November 2015

6 Resigned 6 November 2015

7 Appointed 6 November 2015

8 Appointed 6 November 2015

9 Resigned as Chair of the Audit Committee in November 2015

10 Resigned as a member of the Audit Committee in November 2015

DIRECTORS’ INTERESTS

Smartshares Limited is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded.

The Directors have declared interests in the entities listed below. The Directors noted are those that held office between 1 April 2015 and 31 March 2016.

Director	Interest	Entity
Bevan Miller (Chair)	CFO	NZX Limited
Tim Bennett	Director	Link Market Services Limited <sup>11</sup>
	CEO	NZX Limited
	Director	Link Market Services Limited <sup>12</sup>
Guy Elliffe <sup>13</sup>	Director	New Zealand Clearing and Depository Corporation Limited
	Corporate Governance Manager	Accident Compensation Corporation
John Williams <sup>14</sup>	Investment Manager	Trust Investments Management Limited
Kristin Brandon <sup>15</sup>	Head of Compliance	NZX Limited

GENDER AND DIVERSITY

Smartshares Limited does not currently have a Diversity Policy but will consider implementing a policy in the future.

As at 31 March 2016, the gender balance of Smartshares Limited’s Directors and Officers was as follows:

	Directors	Officers
Female	Nil	Nil
Male	4 (100%)	2 (100%)

By comparison, as at 31 March 2015, the gender balance of Smartshares Limited’s Directors and Officers was as follows:

	Directors	Officers
Female	1 (33.3%)	1 (50%)
Male	2 (66.6%)	1 (50%)

This report is signed by and on behalf of the Board of Smartshares Limited by:



**BEVAN MILLER**  
Director



**GUY ELLIFFE**  
Director

11 NZX divested its interest in Link Market Services Limited on 30 June 2015  
12 NZX divested its interest in Link Market Services Limited on 30 June 2015  
13 Appointed 6 November 2015  
14 Appointed 6 November 2015  
15 Resigned 6 November 2015



Smartshares Limited (a wholly owned subsidiary of NZX Limited)

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