



# SMARTSHARES LIMITED

## ANNUAL REPORT 2016

VOLUME 2 – APA, ASD, ASP, ASR, ASF, DIV, EMF, EUF, GBF, NPF, NZB, NZC, TWF, USF, USG, USM, USS, USV



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## VOLUME 2

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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

Fund Name	Launch Date	Management Fee p.a.	Distribution Payment Date	Funds Under Management as at 31 March 2016	GROSS FUND PERFORMANCE*		
					1 Year**	3 Years Annualised	5 Years Annualised
<b>SMART LARGE</b>							
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%		
<b>SMART MEDIUM</b>							
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%		
<b>SMART SMALL</b>							
US Small Cap (USS)	29 Jul 2015	0.45% ***	Feb/May/Aug/Nov	\$23,368,619	-9.01%		
<b>SMART SECTOR</b>							
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%		
<b>SMART DIVIDEND</b>							
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%		
<b>SMART INCOME</b>							
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%		
<b>Total Smartshares Funds</b>				<b>\$1,531,570,386</b>			

\* 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.

# US 500 Trust (USF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the NZX US 500 Trust

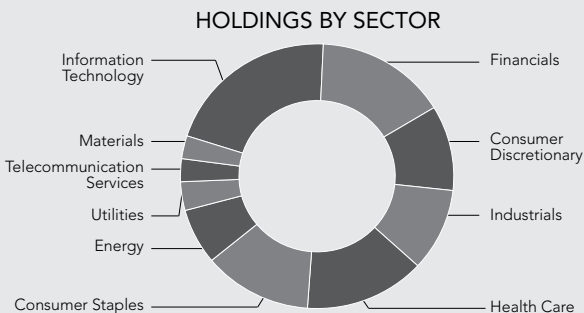
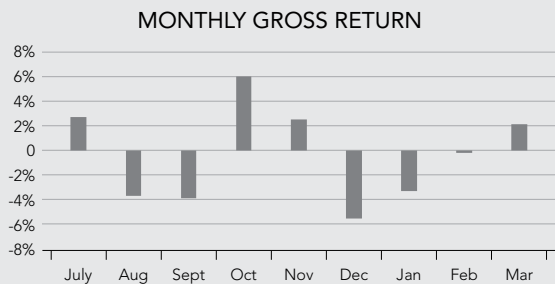
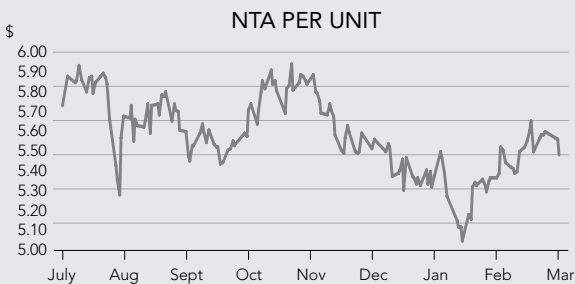
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$5.484
Units On Issue	14,549,500
Funds Under Management	\$79,782,474
Gross Distribution since inception	\$0.0402
Gross Return since inception	-3.69%
Fees	0.30%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that USF invests into. These will also affect the return you receive. For example, the annual operating expense (expense ratio) charged to the Vanguard S&P 500 ETF (VOO) as disclosed by Vanguard as at 31 March 2016 is 0.05%. For more information on fees and charges that apply to an investment in a Smartshares fund, please read the Investment Statement.



The objective of the US 500 (USF) Smartshares fund is to invest in Vanguard's S&P 500 ETF (VOO), which aims to track the S&P 500 Index.

**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**

BNP Paribas Fund Services Australasia Pty Ltd

**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 Master Trust Deed dated 24 June 2014 (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 US 500 Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		1,191
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>(3,396)</u>
<b>Total investment income</b>		<b>(2,205)</b>
<b>EXPENSES</b>		
Management fee expense	7	144
Foreign exchange loss		<u>56</u>
<b>Total expenses</b>		<b>200</b>
<b>Loss before tax</b>		<b>(2,405)</b>
Income tax expense	1	<u>618</u>
<b>Total income tax expense</b>		<b>618</b>
<b>Loss after tax</b>		<b>(3,023)</b>
<b>Total comprehensive loss</b>		<b><u><u>(3,023)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(23.52)</u></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 PERIOD ENDED 31 MARCH 2016**

		For the Period ended 31 March 2016 S'000
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(3,023)</u>
<b>Total comprehensive loss for the period</b>		<b>(3,023)</b>
Subscriptions from Unitholders	6	85,262
Redemptions by Unitholders	6	(2,378)
Distributions to Unitholders	5	<u>(352)</u>
		<b>82,532</b>
<b>Unitholders' funds at the end of the period</b>		<u><u><b>79,509</b></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**

	<b>Note</b>	<b>As at 31 March 2016 \$'000</b>
<b>ASSETS</b>		
Cash and cash equivalents		727
Investments in equity securities held at fair value	2	<u>79,191</u>
<b>TOTAL ASSETS</b>		<b><u><u>79,918</u></u></b>
<b>LIABILITIES</b>		
Management fees payable	7	20
Taxation payable		118
Funds held for unit purchases		108
Unsettled trades		<u>163</u>
<b>TOTAL LIABILITIES</b>		<b><u><u>409</u></u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>79,509</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u><u>79,918</u></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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	1,012
<i>Cash was applied to:</i>	
Management fees paid	(124)
Taxation paid	(321)
<b>Net cash flows from operating activities</b>	<b><u>567</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was applied to:</i>	
Purchase of investments	(675)
<b>Net cash flows from investing activities</b>	<b><u>(675)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	1,196
<i>Cash was applied to:</i>	
Redemptions paid to Unitholders	(9)
Distribution paid to Unitholders	(349)
Distribution paid for dividend reinvestment	(3)
<b>Net cash flows from financing activities</b>	<b><u>835</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>727</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at the end of period</b>	<b><u>727</u></b>
<b>Reconciliation of net loss after tax to net cash flows from operating activities</b>	
Net loss after tax	(3,023)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	3,396
Net changes in foreign exchange	56
Increase in taxation payable	118
Increase in management fees payable	20
<b>Net cash flows from operating activities</b>	<b><u>567</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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The US 500 Trust (the 'Fund') is unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard 500 Index Fund ETF Shares (the 'Underlying Fund'), which tracks FTSE 500 Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard 500 Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(618)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(618)</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:

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Loss before tax	<u>(2,405)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>673</b>
Net changes in fair value of financial assets	(951)
Non taxable income	334
Tax on securities subject to FDR	<u>(674)</u>
	<b>(618)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(618)</u></b>
<b>Imputation credit account (ICA)</b>	
	<b>As at 31 March 2016 \$'000</b>
Imputation credits available for use in subsequent periods	302

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

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

			<b>As at 31 March 2016</b>
<b>Underlying Fund</b>	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
Vanguard 500 Index Fund ETF Shares	292	54,982	79,191
	<u>292</u>	<u>54,982</u>	<u>79,191</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 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$68,845,000 and a cash portion of \$360,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(3,023)
Weighted average number of units ('000)	<u>12,853</u>
<b>Basic and diluted losses per unit (cents per unit)</b>	<u><b>(23.52)</b></u>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	352
Distributed to Unitholders	<u>(352)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
October 2015 (paid November 2015)	2.44	286
January 2016 (paid February 2016)	0.46	<u>66</u>
		<b><u><u>352</u></u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 14,550,000 units on issue.

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

The number of units allotted, during the period ended 31 March 2016 was 14,970,000 for total value of \$85,262,000.

The number of units redeemed during the period ended 31 March 2016 was 420,000 for total value of \$2,378,000.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	14,970
Redemptions made during the period	<u>(420)</u>
<b>Units on issue at end of the period</b>	<b><u><u>14,550</u></u></b>

The net asset value of each unit per the financial statements is \$5.46454. 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 period.



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

**7. RELATED PARTY TRANSACTIONS (Continued)**

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 the Fund and receives all interest earned on cash at call. Total gross management fees excluding rebates for the period ending 31 March 2016 amounted to \$144,000 with \$20,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$4,000.

The audit fee paid by the Manager for the audit of the Fund at the period ended 31 March 2016 was \$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 14,248,631 units valued at \$78,055,000 in the Fund. The Fund paid distributions of \$348,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 S'000</b>
<i>Loans and receivables</i>	
Cash and cash equivalents	727
<i>Financial assets and financial liabilities at fair value through profit and loss</i>	
Investments in equity securities held at fair value	79,191
<i>Other financial liabilities</i>	
Management fees payable	20
Unsettled trades	163
Funds held for unit purchases	108

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 \$7,919,000.

**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.

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

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

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
Cash and cash equivalents	727

**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 investment in Vanguard 500 Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Arca. 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 units in the Underlying Fund. 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 US 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 US dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$7,903,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 the US 500 Trust

We have audited the accompanying financial statements of the US 500 Trust ("the Fund") on pages 7 to 17. 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 period 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 17 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the US 500 Trust as at 31 March 2016 and its financial performance and cash flows for the period 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 (USF) AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	162	67.22%	59,331	0.41%
1,001-5,000	64	26.56%	135,988	0.93%
5,001-10,000	8	3.32%	60,863	0.42%
10,001-50,000	6	2.49%	84,687	0.58%
50,001-100,000	-	0.00%	-	0.00%
Greater than 100,000	1	0.41%	14,248,631	97.66%
<b>TOTAL</b>	<b>241</b>	<b>100.00%</b>	<b>14,589,500</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	14,248,631	97.66
Stephen Allan Mcgregor & Jane Costigan	18,557	0.13
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	17,790	0.12
Geoffrey John Duckett	15,029	0.10
Jan Feld	13,211	0.09
ASB Nominees Limited	10,050	0.07
Investment Custodial Services Limited	10,050	0.07
John Reginald Spray	9,378	0.06
Dean Richard Prebble	9,118	0.06
Anthony David Batterton & Karl Richard Moreton	9,000	0.06
Andrew David Wilson	8,841	0.06
Rachel Marie Baxter	8,000	0.05
Sun Properties International Limited	5,900	0.04
Tania Elsie Cynthia Chin	5,622	0.04
Janice Mary Graham	5,004	0.03
Derek Lloyd Harland & Michael George Stephens	5,000	0.03
Raymond Henry Jones & Anne Kathleen Jones & Patrick Gerard Thomas Sheehan	4,700	0.03
Craigs Investment Partners Limited	4,595	0.03
Paul Jan Kulhavy & Lesley Jean Valentine	4,500	0.03
Timothy Shaun Lip	4,401	0.03
	<b>14,417,377</b>	<b>98.79</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 14,549,500.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	1,469*	0
Tim Bennett (appointed 27 August 2013)	1,851*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# Europe Trust (EUF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the Europe Trust

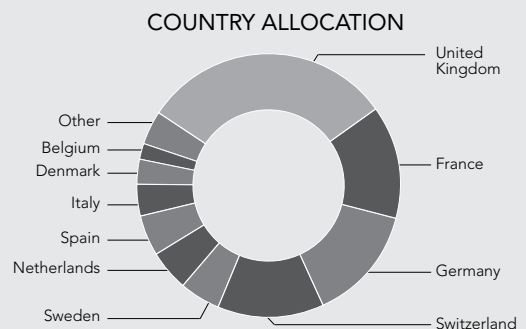
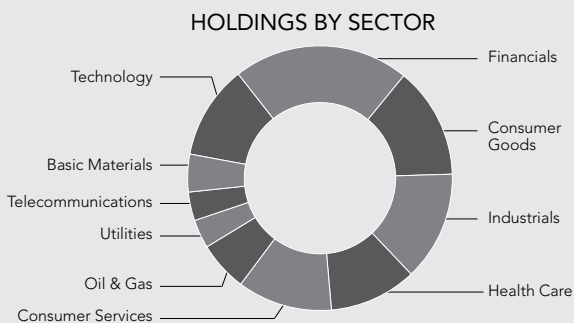
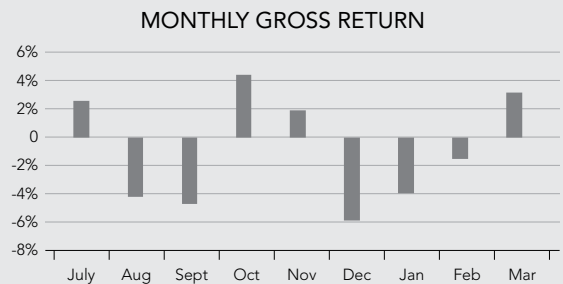
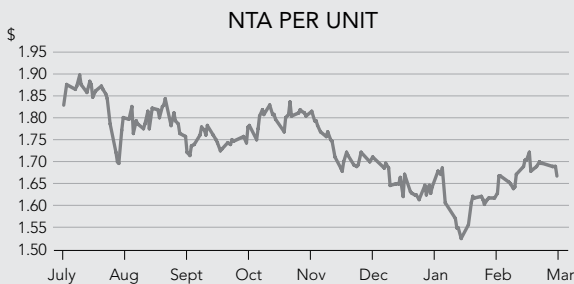
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$1.417
Units On Issue	57,933,400
Funds Under Management	\$82,113,642
Gross Distribution since inception	\$0.0082
Gross Return since inception	-13.18%
Fees	0.45%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that EUF invests into. These will also affect the return you receive. For example, the annual operating expense (expense ratio) charged to the Vanguard FTSE Europe ETF (VGK) as disclosed by Vanguard as at 31 March 2016 is 0.12%. For more information on fees and charges that apply to an investment in a Smartshares fund, please read the Investment Statement.



The objective of the Europe (EUF) Smartshares fund is to invest in Vanguard's FTSE Europe ETF (VGK), which aims to track the FTSE Developed Europe Index.

## 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

BNP Paribas Fund Services Australasia Pty Ltd

### 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 Master Trust Deed dated 24 June 2014 (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 Europe Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 S'000</b>
<b>INCOME</b>		
Dividend income		1,158
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(12,525)
Foreign exchange gain		<u>13</u>
<b>Total investment income</b>		<b>(11,354)</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>246</u>
<b>Total expenses</b>		<b>246</b>
<b>Loss before tax</b>		<b>(11,600)</b>
Income tax expense	1	<u>704</u>
<b>Total income tax expense</b>		<b>704</b>
<b>Loss after tax</b>		<b>(12,304)</b>
<b>Total comprehensive loss</b>		<b><u><u>(12,304)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(22.86)</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 \$'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(12,304)</u>
<b>Total comprehensive loss for the period</b>		<b>(12,304)</b>
Subscriptions from Unitholders	6	96,954
Redemptions by Unitholders	6	(2,945)
Distributions to Unitholders	5	<u>(297)</u>
		<b>93,712</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>81,408</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**

	Note	As at 31 March 2016 S'000
<b>ASSETS</b>		
Cash and cash equivalents		682
Investments in equity securities held at fair value	2	<u>81,159</u>
<b>TOTAL ASSETS</b>		<b><u><u>81,841</u></u></b>
<b>LIABILITIES</b>		
Management fees payable	7	31
Taxation payable		132
Funds held for unit purchases		116
Unsettled trades		<u>154</u>
<b>TOTAL LIABILITIES</b>		<b><u><u>433</u></u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u><u>81,408</u></u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u><u>81,841</u></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

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

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	984
<i>Cash was applied to:</i>	
Management fees paid	(215)
Taxation paid	(398)
<b>Net cash flows from operating activities</b>	<b><u>371</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was applied to:</i>	
Purchase of investments	(232)
<b>Net cash flows from investing activities</b>	<b><u>(232)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	853
<i>Cash was applied to:</i>	
Redemptions paid to Unitholders	(13)
Distribution paid to Unitholders	(295)
Distribution paid for dividend reinvestment	(2)
<b>Net cash flows from financing activities</b>	<b><u>543</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>682</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at the end of period</b>	<b><u>682</u></b>
<b>Reconciliation of net loss after tax to net cash flows from operating activities</b>	
Loss after tax	(12,304)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	12,525
Net changes in foreign exchange	(13)
Increase in taxation payable	132
Increase in management fees payable	31
<b>Net cash flows from operating activities</b>	<b><u>371</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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The Europe Trust (the 'Fund') is a for-profit unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard European Stock Index Fund ETF Shares (the 'Underlying Fund'), which tracks FTSE Developed Europe All Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard European Stock Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

**For the  
Period ended  
31 March  
2016  
S'000**

**Tax expense comprises:**

Current tax expense	(704)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(704)</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**

**For the  
Period ended  
31 March  
2016  
S'000**

Loss before tax	<u>(11,600)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>3,248</b>
Net changes in fair value of financial assets	(3,507)
Non taxable income	322
Tax on securities subject to FDR	<u>(767)</u>
	<b>(704)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(704)</u></b>

**Imputation credit account (ICA)**

**As at  
31 March  
2016  
S'000**

Imputation credits available for use in subsequent periods	415
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2016**

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

	<b>As at 31 March 2016</b>		
<b>Underlying Fund</b>	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
Vanguard European Stock Index Fund ETF Shares	1,161	56,349	81,159
	<b>1,161</b>	<b>56,349</b>	<b>81,159</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 reporting date. The exchange rate used was 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$84,894,000 and a cash portion of \$500,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(12,304)
Weighted average number of units ('000)	53,820
<b>Basic and diluted losses per unit (cents per unit)</b>	<b>(22.86)</b>



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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	297
Distributed to Unitholders	<u>(297)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
October 2015 (paid November 2015)	0.59	<u>297</u>
		<b><u><u>297</u></u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 57,933,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 59,773,000 for total value of \$96,954,000.

The number of units redeemed during the period ended 31 March 2016 was 1,840,000 for total value of \$2,945,000.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	59,773
Redemptions made during the period	<u>(1,840)</u>
<b>Units on issue at end of the period</b>	<b><u><u>57,933</u></u></b>

The net asset value of each unit per the financial statements is \$1.40521. 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 period.

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

**7. RELATED PARTY TRANSACTIONS (Continued)**

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 the Fund and receives interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$246,000, with \$31,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$4,100.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 57,205,339 units valued at \$81,001,000 in the Fund. The Fund paid distributions of \$294,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 S'000</b>
<i>Loans and receivables</i>	
Cash and cash equivalents	682
<i>Financial assets and financial liabilities at fair value through profit and loss</i>	
Investments in equity securities held at fair value	81,159
<i>Other financial liabilities</i>	
Management fees payable	31
Unsettled trades	154
Funds held for unit purchases	116
Distributions payable to Unitholders	

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 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 \$8,116,000.

**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.

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

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

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 S'000</b>
Cash and cash equivalents	682

**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 investment in Vanguard European Stock Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Arca. 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 units in the Underlying Fund. 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 United States 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 United States dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$8,101,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 the Europe Trust

We have audited the accompanying financial statements of the Europe Trust ("the Fund") on pages 24 to 34. 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 period 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 24 to 34 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the Europe Trust as at 31 March 2016 and its financial performance and cash flows for the period 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 AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	17	19.77%	7,393	0.01%
1,001-5,000	24	27.91%	46,507	0.08%
5,001-10,000	13	15.12%	90,629	0.16%
10,001-50,000	26	30.23%	528,900	0.91%
50,001-100,000	5	5.81%	314,632	0.54%
Greater than 100,000	1	1.16%	57,205,339	98.30%
<b>TOTAL</b>	<b>86</b>	<b>100.00%</b>	<b>58,193,400</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	57,205,339	98.3
Grant Wilbert Dorey	73,500	0.13
Dean Richard Prebble	70,552	0.12
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	62,739	0.11
Sun Properties International Limited	57,650	0.10
Russell Stuart Hay & Cynthia Jill Hay & Douglas Kim Fisher	50,191	0.09
Paul Rodger Day & Amanda Cheryl Day	44,214	0.08
Piers Toby Agmen & Ross Hannay Mckechine	41,700	0.07
Timothy Shaun Lip	35,500	0.06
Anthony David Batterton & Karl Richard Moreton	34,000	0.06
Investment Custodial Services Limited	31,369	0.05
Andrew David Wilson	31,179	0.05
Arthur William Young & Peter Webster Wilson	30,616	0.05
Sally Louise Sanderson	30,114	0.05
Bruce Merrett & Susan Mary Merrett	21,150	0.04
William Terry Gavin & Claire Christine Gavin	20,000	0.03
Rachel Marie Baxter	19,500	0.03
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	18,707	0.03
David Mountfort Haywood & Annette Maree Haywood	15,530	0.03
John Ewen & John Ewen Trust Limited	15,500	0.03
	<b>57,909,050</b>	<b>99.51</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 57,933,400.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	6,533*	0
Tim Bennett (appointed 27 August 2013)	8,233*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# Asia Pacific Trust (APA)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the Asia Pacific Fund

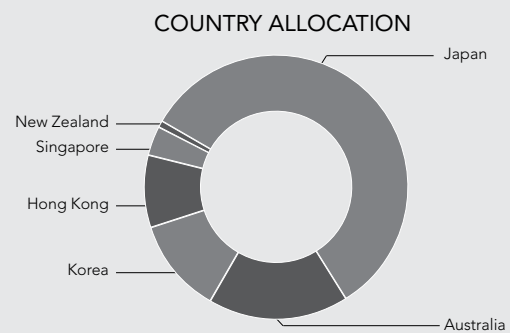
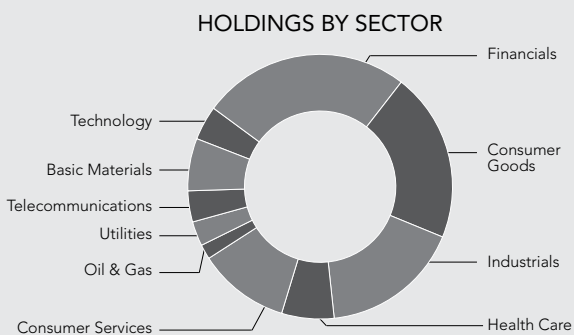
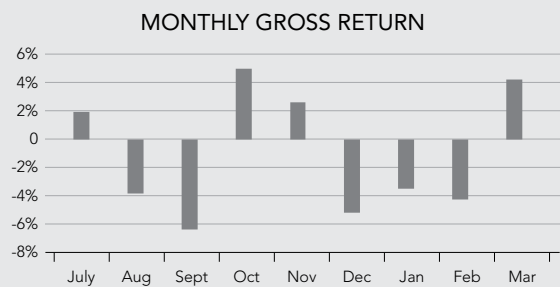
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$1.622
Units On Issue	24,918,000
Funds Under Management	\$40,416,248
Gross Distribution since inception	\$0.0136
Gross Return since inception	-9.41%
Fees	0.45%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that APA invests into. These will also affect the return you receive. For example, the annual operating expense (expense ratio) charged to the Vanguard FTSE Pacific ETF (VPL) is 0.12%. For more information on fees and charges that apply to an investment in a Smartshares fund, please read the Investment Statement.



The objective of the Asia Pacific (APA) Smartshares fund is to invest in Vanguard's FTSE Pacific ETF (VPL), which aims to track the FTSE Developed Asia Pacific Index.

**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)

**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)

**SOLICITORS**

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

**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

**AUDITOR**

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

**REGISTRAR**

Link Market Services Limited

**CORRESPONDENCE**

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

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 Master Trust Deed dated 24 June 2014 (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 Asia Pacific Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		642
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>(4,623)</u>
<b>Total investment income</b>		<b>(3,981)</b>
<b>EXPENSES</b>		
Management fee expense	7	116
Foreign exchange loss		<u>12</u>
<b>Total expenses</b>		<b>128</b>
<b>Loss before tax</b>		<b>(4,109)</b>
Income tax expense	1	<u>328</u>
<b>Total income tax expense</b>		<b>328</b>
<b>Loss after tax</b>		<b>(4,437)</b>
<b>Total comprehensive loss</b>		<b><u><u>(4,437)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(19.46)</u></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 PERIOD ENDED 31 MARCH 2016**

		For the Period ended 31 March 2016 S'000
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(4,437)</u>
<b>Total comprehensive loss for the period</b>		<b>(4,437)</b>
Subscriptions from Unitholders	6	45,888
Redemptions by Unitholders	6	(1,335)
Distributions to Unitholders	5	<u>(226)</u>
		<b>44,327</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>39,890</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**

	<b>Note</b>	<b>As at 31 March 2016 \$'000</b>
<b>ASSETS</b>		
Cash and cash equivalents		331
Investments in equity securities held at fair value	2	<u>39,696</u>
<b>TOTAL ASSETS</b>		<u><u>40,027</u></u>
<b>LIABILITIES</b>		
Management fees payable	7	16
Taxation payable		85
Funds held for unit purchases		12
Unsettled trades		<u>24</u>
<b>TOTAL LIABILITIES</b>		<u><u>137</u></u>
<b>UNITHOLDERS' FUNDS</b>		<u><u>39,890</u></u>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<u><u>40,027</u></u>

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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	546
<i>Cash was applied to:</i>	
Management fees paid	(100)
Taxation paid	(147)
<b>Net cash flows from operating activities</b>	<b>299</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	-
<i>Cash was applied to:</i>	
Purchase of investments	(102)
<b>Net cash flows from investing activities</b>	<b>(102)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	366
<i>Cash was applied to:</i>	
Redemptions paid to Unitholders	(6)
Distribution paid to Unitholders	(225)
Distribution paid for dividend reinvestment	(1)
<b>Net cash flows from financing activities</b>	<b>134</b>
<b>Net increase in cash and cash equivalents</b>	<b>331</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at the end of period</b>	<b>331</b>
<b>Reconciliation of net loss after tax to net cash flows from operating activities</b>	
Loss after tax	(4,437)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	4,623
Net changes in foreign exchange	12
Increase in taxation payable	85
Increase in management fees payable	16
<b>Net cash flows from operating activities</b>	<b>299</b>

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

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

**GENERAL INFORMATION**

The Asia Pacific Trust (the 'Fund') is a unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard Pacific Stock Index Fund ETF Shares (the 'Underlying Fund'), which tracks FTSE Developed Asia Pacific Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard Pacific Stock Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(328)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(328)</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:

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Loss before tax	<u>(4,109)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>1,150</b>
Net changes in fair value of financial assets	(1,294)
Non taxable income	178
Tax on securities subject to FDR	<u>(362)</u>
	<b>(328)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(328)</u></b>

**Imputation credit account (ICA)**

	<b>As at 31 March 2016 \$'000</b>
Imputation credits available for use in subsequent periods	144



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

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

**As at  
31 March 2016**

	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
<b>Underlying fund</b>			
Vanguard Pacific Stock Index Fund	499	27,561	39,696
	<u>499</u>	<u>27,561</u>	<u>39,696</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 exchange rate used was 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$39,306,000 and a cash portion of \$230,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(4,437)
Weighted average number of units ('000)	<u>22,796</u>
<b>Basic and diluted losses per unit (cents per unit)</b>	<u><b>(19.46)</b></u>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	226
Distributed to Unitholders	<u>(226)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
October 2015 (paid November 2015)	0.48	102
January 2016 (paid February 2016)	0.50	<u>124</u>
		<b><u><u>226</u></u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 24,918,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 25,698,000 for total value of \$45,888,000.

The number of units redeemed during the period ended 31 March 2016 was 780,000 for total value of \$1,335,000.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	25,698
Redemptions made during the period	<u>(780)</u>
<b>Units on issue at end of the period</b>	<b><u><u>24,918</u></u></b>

The net asset value of each unit per the financial statements is \$1.60085. 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 PERIOD ENDED 31 MARCH 2016**

**7. RELATED PARTY TRANSACTIONS**

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

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 and in respect of the Fund and receives all interest earned on cash at call. Total gross management fees excluding rebates for the period ending 31 March 2016 amounted to \$116,000 with \$16,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash on call for the period ended 31 March 2016 amounted to \$2,800.

The audit fee paid by the Manager for the audit of the Fund at the period ended 31 March 2016 was \$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 24,667,958 units valued at \$39,971,000 in the Fund. The Fund paid distributions of \$224,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 \$'000</b>
<u><i>Loans and receivables</i></u>	
Cash and cash equivalents	331
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>	
Investments in equity securities held at fair value	39,696
<u><i>Other financial liabilities</i></u>	
Management fees payable	16
Unsettled trades	24
Funds held for unit purchases	12

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 \$3,970,000.

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

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

**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>
Cash and cash equivalents	331

**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 investment in Vanguard Pacific Stock Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Arca. 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 units in the Underlying Fund. 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 US 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 US dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$3,967,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 the Asia Pacific Trust

We have audited the accompanying financial statements of the Asia Pacific Trust ("the Fund") on pages 41 to 51. 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 period 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.

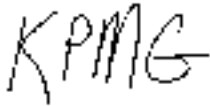
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 41 to 51 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the Asia Pacific Trust as at 31 March 2016 and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature in black ink that reads "KPMG". The letters are stylized and connected, with a long horizontal stroke at the end of the "G".

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	9	17.65%	2,965	0.01%
1,001-5,000	22	43.14%	43,002	0.17%
5,001-10,000	11	21.57%	68,922	0.28%
10,001-50,000	8	15.69%	220,153	0.88%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	1.96%	24,667,958	98.66%
<b>TOTAL</b>	<b>51</b>	<b>100.00%</b>	<b>25,003,000</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	24,667,958	98.66
Grant Wilbert Dorey	45,808	0.18
Sun Properties International Limited	42,000	0.17
Paul Rodger Day & Amanda Cheryl Day	40,107	0.16
Derek Lloyd Harland & Michael George Stephens	32,000	0.13
Philip Graham Tilson	17,102	0.07
George Heatherwick Findlay	17,102	0.07
Craigs Investment Partners Limited	14,730	0.06
Daniel Jacobus Steenkamp	11,304	0.05
Billy Cheung Services Limited	7,811	0.03
Robert Thomas Batley	7,210	0.03
Wallace John Semmens & Rose Agnes Semmens & Ernest William Gartrell	7,042	0.03
Karin Won	6,622	0.03
Caroline Jessie Gates	6,300	0.03
Timothy Shaun Lip	6,000	0.02
Martin Shane Lines & Joanne Tracey Lines & David William Pearson	5,800	0.02
Malcolm Bruce Menzies & Yon Sim Cheong	5,745	0.02
Patricia Meng San leong	5,730	0.02
Timothy Luke Beale	5,533	0.02
Mark John Atwell	5,129	0.02
	<b>24,957,033</b>	<b>99.82</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 24,918,000.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	2,822*	0
Tim Bennett (appointed 27 August 2013)	3,556*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# Emerging Markets Trust (EMF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the NZX Emerging Markets Trust

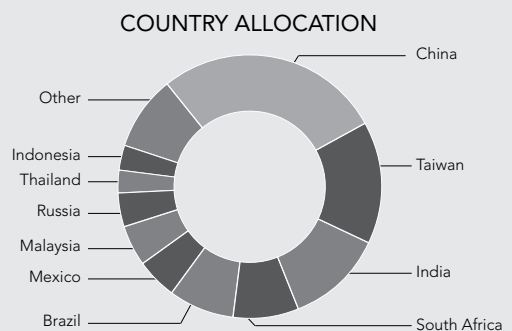
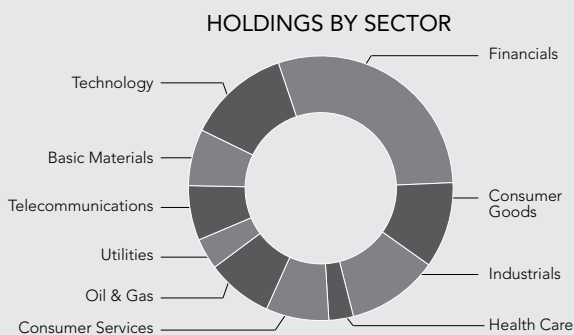
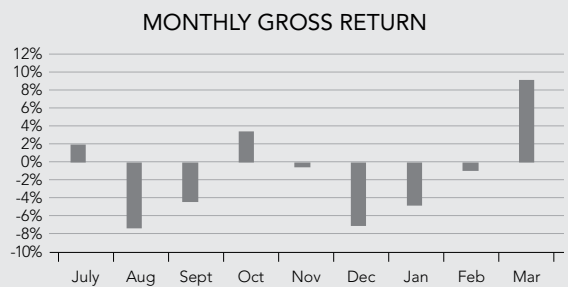
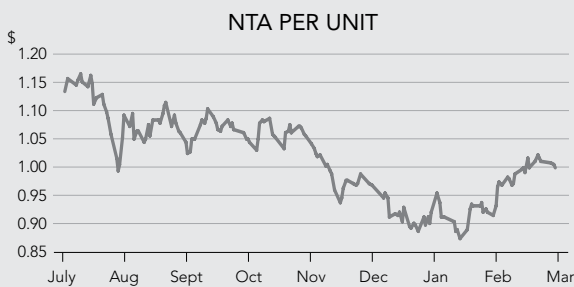
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$1.000
Units On Issue	31,829,000
Funds Under Management	\$31,824,544
Gross Distribution since inception	\$0.0175
Gross Return since inception	-10.51%
Fees	0.45%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that EMF invests into. These will also affect the return you receive. For example, the annual operating expense (expense ratio) charged to the Vanguard FTSE Emerging Markets ETF (VWO) is 0.15%. For more information on fees, please read the Investment Statement.



The objective of the Emerging Markets (EMF) Smartshares fund is to invest in Vanguard's FTSE Emerging Markets ETF (VWO), which aims to track the FTSE Emerging Index.



## 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

BNP Paribas Fund Services Australasia Pty Ltd

### 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 Master Trust Deed dated 24 June 2014 (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 Emerging Markets Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 S'000</b>
<b>INCOME</b>		
Dividend income		637
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(4,221)
Foreign exchange gain		<u>9</u>
<b>Total investment income</b>		<b>(3,575)</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>96</u>
<b>Total expenses</b>		<b>96</b>
<b>Loss before tax</b>		<b>(3,671)</b>
Income tax expense	1	<u>276</u>
<b>Total income tax expense</b>		<b>276</b>
<b>Loss after tax</b>		<b>(3,947)</b>
<b>Total comprehensive loss</b>		<b><u><u>(3,947)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(12.65)</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 \$'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(3,947)</u>
<b>Total comprehensive loss for the period</b>		<b>(3,947)</b>
Subscriptions from Unitholders	6	36,113
Distributions to Unitholders	5	<u>(413)</u>
		<b>35,700</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>31,753</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**

	Note	As at 31 March 2016 S'000
<b>ASSETS</b>		
Cash and cash equivalents		133
Investments in equity securities held at fair value	2	<u>31,760</u>
<b>TOTAL ASSETS</b>		<b><u>31,893</u></b>
<b>LIABILITIES</b>		
Management fees payable	7	12
Taxation payable		56
Funds held for unit purchases		17
Unsettled trades		<u>55</u>
<b>TOTAL LIABILITIES</b>		<b><u>140</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>31,753</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>31,893</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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	541
<i>Cash was applied to:</i>	
Management fees paid	(84)
Taxation paid	<u>(124)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>333</u></u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	-
<i>Cash was applied to:</i>	
Purchase of investments	<u>(87)</u>
<b>Net cash flows from investing activities</b>	<b><u><u>(87)</u></u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	300
<i>Cash was applied to:</i>	
Distribution paid to Unitholders	(412)
Distribution paid for dividend reinvestment	<u>(1)</u>
<b>Net cash flows from financing activities</b>	<b><u><u>(113)</u></u></b>
<b>Net increase in cash and cash equivalents</b>	<b>133</b>
Cash and cash equivalents at beginning of period	<u>-</u>
<b>Cash and cash equivalents at the end of period</b>	<b><u><u>133</u></u></b>
<b>Reconciliation of net loss after tax to net cash flows from operating activities</b>	
Loss after tax	(3,947)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	4,221
Net changes in foreign exchange	(9)
Increase in taxation payable	56
Increase in management fees payable	<u>12</u>
<b>Net cash flows from operating activities</b>	<b><u><u>333</u></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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The Emerging Markets Trust (the 'Fund') is a unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 allowance 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard FTSE Emerging Market Index Fund ETF Shares (the 'Underlying Fund'), which tracks the FTSE Emerging Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard FTSE Emerging Markets Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

**For the  
Period ended  
31 March  
2016  
\$'000**

**Tax expense comprises:**

Current tax expense	(276)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(276)</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**

**For the  
Period ended  
31 March  
2016  
\$'000**

Loss before tax	<u>(3,671)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>1,028</b>
Net changes in fair value of financial assets	(1,182)
Non taxable income	178
Tax on securities subject to FDR	<u>(300)</u>
	<b>(276)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(276)</u></b>

**Imputation credit account (ICA)**

**As at  
31 March  
2016  
\$'000**

Imputation credits available for use in subsequent periods	57
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2016**

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

	<b>As at 31 March 2016</b>		
	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
<b>Underlying Fund</b>			
Vanguard FTSE Emerging Markets ETF	<u>638</u>	<u>22,051</u>	<u>31,760</u>
	<b><u>638</u></b>	<b><u>22,051</u></b>	<b><u>31,760</u></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 reporting date. The exchange rate used was 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$34,427,000 and a cash portion of \$200,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(3,947)
Weighted average number of units ('000)	<u>31,207</u>
<b>Basic and diluted losses per unit (cents per unit)</b>	<b><u>(12.65)</u></b>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	413
Distributed to Unitholders	<u>(413)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
October 2015 (paid November 2015)	1.35	<u>413</u>
		<b><u><u>413</u></u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 31,829,000 units on issue.

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

The number of units allotted, during the period ended 31 March 2016 was 31,829,000 for total value of \$36,113,000.

The number of units redeemed during the period ended 31 March 2016 was Nil for total value of \$Nil.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	<u>31,829</u>
<b>Units on issue at end of the period</b>	<b><u><u>31,829</u></u></b>

The net asset value of each unit per the financial statements is \$0.99761. 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 period.

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

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

**7. RELATED PARTY TRANSACTIONS (Continued)**

Auditor on behalf of in respect of the Fund and receives all interest earned on cash at call. Total gross management fees excluding rebates for the period ending 31 March 2016 amounted to \$96,000 with \$12,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$2,200.

The audit fee paid by the Manager for the audit of the Fund at the period ended 31 March 2016 was \$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 31,383,050 units valued at \$31,347,000 in the Fund. The Fund paid distributions of \$411,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 \$'000</b>
<hr/>	
<i>Loans and receivables</i>	
Cash and cash equivalents	133
<hr/>	
<i>Financial assets and financial liabilities at fair value through profit and loss</i>	
Investments in equity securities held at fair value	31,760
<hr/>	
<i>Other financial liabilities</i>	
Management fees payable	12
Unsettled trades	55
Funds held for unit purchases	17

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 \$3,176,000.

**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.

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

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

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 S'000</b>
Cash and cash equivalents	133

**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 investment in Vanguard FTSE Emerging Market Stock Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Arca. 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 units in the Underlying Fund. 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 US 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 US dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$3,171,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 the Emerging Markets Trust

We have audited the accompanying financial statements of the Emerging Markets Trust ("the Fund") on pages 58 to 68. 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 period 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 58 to 68 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the Emerging Markets Trust as at 31 March 2016 and its financial performance and cash flows for the period 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 AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	28	32.56%	19,571	0.06%
1,001-5,000	34	39.53%	81,821	0.26%
5,001-10,000	12	13.95%	89,051	0.28%
10,001-50,000	9	10.47%	182,407	0.57%
50,001-100,000	1	1.16%	61,500	0.19%
Greater than 100,000	2	2.33%	31,489,650	98.64%
<b>TOTAL</b>	<b>86</b>	<b>100.00%</b>	<b>31,924,000</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	31,383,050	98.31
Sun Properties International Limited	106,600	0.33
Grant Wilbert Dorey	61,500	0.19
ASB Nominees Limited	30,391	0.10
FNZ Custodians Limited	26,009	0.08
William John Duff Eaton	25,100	0.08
Craigs Investment Partners Limited	21,345	0.07
Sean Mccarthy	20,000	0.06
Timothy Shaun Lip	19,500	0.06
ASB Nominees Limited	15,571	0.05
Billy Cheung Services Limited	13,207	0.04
Karin Won	11,284	0.04
Christopher Michael Daly & Ingrid Jane Van Aalst	10,000	0.03
Martin Shane Lines & Joanne Tracey Lines & David William Pearson	9,000	0.03
Skb Nominees Limited	9,000	0.03
Angela Gray	8,550	0.03
Lindsay Theo Strik	8,153	0.03
Joseph Bransby Lill	7,500	0.02
John Graham Trezise	7,450	0.02
Peter Mai	6,584	0.02
	<b>31,799,794</b>	<b>99.62</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 31,829,000.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	7,134*	0
Tim Bennett (appointed 27 August 2013)	25,542*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities



# Total World Trust (TWF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the Total World Trust

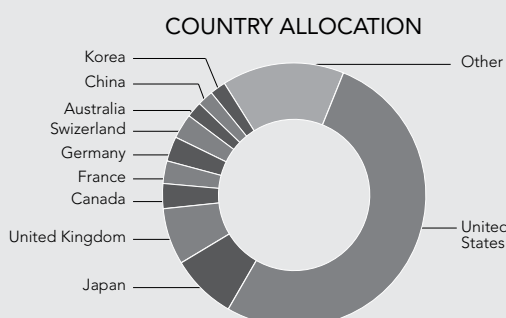
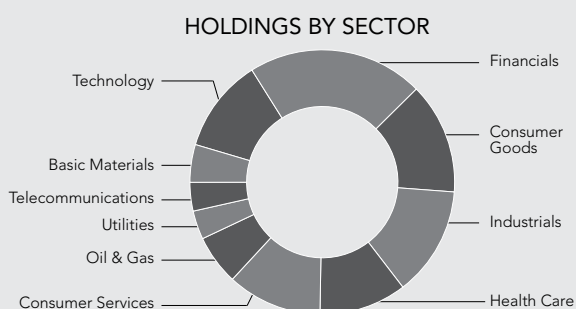
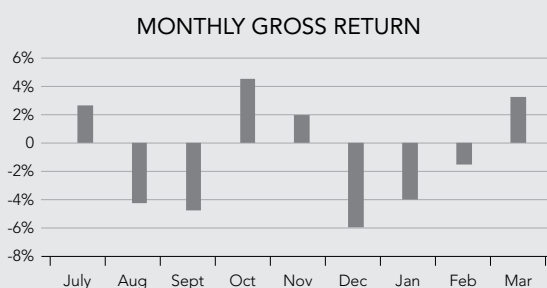
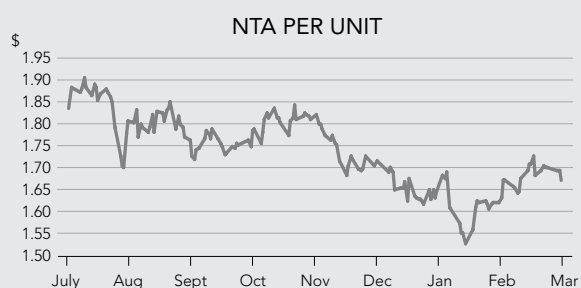
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$1.673
Units On Issue	15,232,500
Funds Under Management	\$25,490,827
Gross Distribution since inception	\$0.0092
Gross Return since inception	-8.34%
Fees	0.45%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that TWF invests into. These will also affect the return you receive. For example, the annual operating expense (expense ratio) charged to the Vanguard Total World Stock ETF (VT) is 0.14%. For more information on fees, please read the Investment Statement.



The objective of the Total World (TWF) Smartshares fund is to invest in Vanguard's Total World Stock ETF (VT), which aims to track the FTSE Global All Cap Index.

**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**

BNP Paribas Fund Services Australasia Pty Ltd

**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 Master Trust Deed dated 24 June 2014 (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 Total World Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		396
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(2,526)
Foreign exchange gain		<u>9</u>
<b>Total investment income</b>		<b>(2,121)</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>79</u>
<b>Total expenses</b>		<b>79</b>
<b>Loss before tax</b>		<b>(2,200)</b>
Income tax expense	1	<u>228</u>
<b>Total income tax expense</b>		<b>228</b>
<b>Loss after tax</b>		<b>(2,428)</b>
<b>Total comprehensive loss</b>		<b><u><u>(2,428)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(16.13)</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 S'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(2,428)</u>
<b>Total comprehensive loss for the period</b>		<b>(2,428)</b>
Subscriptions from Unitholders	6	28,909
Redemptions by Unitholders	6	(932)
Distributions to Unitholders	5	<u>(99)</u>
		<b>27,878</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>25,450</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**

	<b>Note</b>	<b>As at 31 March 2016 \$'000</b>
<b>ASSETS</b>		
Cash and cash equivalents		218
Investments in equity securities held at fair value	2	<u>25,347</u>
<b>TOTAL ASSETS</b>		<b><u><u>25,565</u></u></b>
<b>LIABILITIES</b>		
Management fees payable	7	10
Taxation payable		49
Funds held for unit purchases		23
Unsettled trades		<u>33</u>
<b>TOTAL LIABILITIES</b>		<b><u><u>115</u></u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>25,450</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u><u>25,565</u></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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	337
<i>Cash was applied to:</i>	
Management fees paid	(69)
Taxation paid	<u>(120)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>148</u></u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	922
<i>Cash was applied to:</i>	
Purchase of investments	<u>(312)</u>
<b>Net cash flows from investing activities</b>	<b><u><u>610</u></u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	491
<i>Cash was applied to:</i>	
Redemptions paid to Unitholders	(932)
Distribution paid to Unitholders	(96)
Distribution paid for dividend reinvestment	<u>(3)</u>
<b>Net cash flows from financing activities</b>	<b><u><u>(540)</u></u></b>
<b>Net increase in cash and cash equivalents</b>	<b>218</b>
Cash and cash equivalents at beginning of period	<u>-</u>
<b>Cash and cash equivalents at the end of period</b>	<b><u><u>218</u></u></b>
<b>Reconciliation of net loss after tax to net cash flows from operating activities</b>	
Loss after tax	(2,428)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	2,526
Net changes in foreign exchange	(9)
Increase in taxation payable	49
Increase in management fees payable	<u>10</u>
<b>Net cash flows from operating activities</b>	<b><u><u>148</u></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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The Total World Trust (the 'Fund') is a for-profit unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard Total World Stock Index Fund ETF Shares (the 'Underlying Fund'), which tracks FTSE Global All Cap Index (the 'Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard Total World Stock Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(228)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(228)</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:

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Loss before tax	<u>(2,200)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>616</b>
Net changes in fair value of financial assets	(707)
Non taxable income	110
Tax on securities subject to FDR	<u>(247)</u>
	<b>(228)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(228)</u></b>
<b>Imputation credit account (ICA)</b>	
	<b>As at 31 March 2016 \$'000</b>
Imputation credits available for use in subsequent periods	130

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

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

			<b>As at 31 March 2016</b>
<b>Underlying Fund</b>	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
Vanguard Total World Stock Index Fund ETF Shares	305	17,598	25,347
	<u><b>305</b></u>	<u><b>17,598</b></u>	<u><b>25,347</b></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 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$27,487,000 and a cash portion of \$150,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(2,428)
Weighted average number of units ('000)	<u>15,052</u>
<b>Basic and diluted losses per unit (cents per unit)</b>	<u><b>(16.13)</b></u>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	99
Distributed to Unitholders	<u>(99)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
October 2015 (paid November 2015)	0.66	<u>99</u>
		<b><u><u>99</u></u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 15,232,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 15,777,000 for total value of \$28,909,000.

The number of units redeemed during the period ended 31 March 2016 was 545,000 for total value of \$932,000.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	15,777
Redemptions made during the period	<u>(545)</u>
<b>Units on issue at end of the period</b>	<b><u><u>15,232</u></u></b>

The net asset value of each unit per the financial statements is \$1.67082. 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 PERIOD ENDED 31 MARCH 2016**

**7. RELATED PARTY TRANSACTIONS**

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

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 the Fund and receives interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$79,000, with \$10,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$1,748.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 14,500,623 units valued at \$24,242,000 in the Fund. The Fund paid distributions of \$96,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 S'000</b>
<i>Loans and receivables</i>	
Cash and cash equivalents	218
<i>Financial assets and financial liabilities at fair value through profit and loss</i>	
Investments in equity securities held at fair value	25,347
<i>Other financial liabilities</i>	
Management fees payable	10
Unsettled trades	33
Funds held for unit purchases	23

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 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 \$2,535,000.

**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.

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

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

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>
Cash and cash equivalents	218

**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 investment in Vanguard Total World Stock Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Arca. 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 units in the Underlying Fund. 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 United States 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 United States dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$2,531,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 the Total World Trust

We have audited the accompanying financial statements of the Total World Trust ("the Fund") on pages 75 to 85. 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 period 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 75 to 85 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the Total World Trust as at 31 March 2016 and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of 'KPMG' in black ink, written in a cursive, stylized font.

27 May 2016  
Wellington



# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	30	24.59%	15,854	0.10%
1,001-5,000	49	40.16%	120,948	0.79%
5,001-10,000	17	13.93%	110,537	0.72%
10,001-50,000	22	18.03%	342,530	2.24%
50,001-100,000	2	1.64%	115,729	0.76%
Greater than 100,000	2	1.64%	14,616,902	95.40%
<b>TOTAL</b>	<b>122</b>	<b>100.00%</b>	<b>15,322,500</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	14,500,623	94.64
Graeme Andrew Don & Margaret Joan Don & Richard Vale Harris	116,279	0.76
Gopi Nayar & Grant Campbell Pegler	60,223	0.39
Investment Custodial Services Limited	55,506	0.36
Catherine Linda Marshall	29,483	0.19
John Robinson Reid & Michael Wong	28,000	0.18
Andrew David Wilson	27,766	0.18
Philip Warren Horn	20,000	0.13
Severne Holdings Limited	17,500	0.11
Nolan David Tunnicliffe	16,561	0.11
Michael Nettleship & Geoffrey Frank Haines	16,288	0.11
Barbara Wendy Andrews	16,059	0.10
Ronald Peter Admiraal	15,802	0.10
Custodial Services Limited	15,300	0.10
Margaret Elizabeth Green & Brian James Green	15,000	0.10
Bruce Cameron Taylor & Harold Geoffrey Bailey	13,424	0.09
Marcus Spencer Daniell	13,376	0.09
Craigs Investment Partners Limited	12,498	0.08
Richard Grant Perry & Judith Margaret Perry & Thomas John Perry	11,500	0.08
Paul Andrewes	11,000	0.07
	<b>15,012,188</b>	<b>97.97</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 15,232,500.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	1,640*	0
Tim Bennett (appointed 27 August 2013)	2,067*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# US Large Value Trust (USV)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the US Large Value Trust

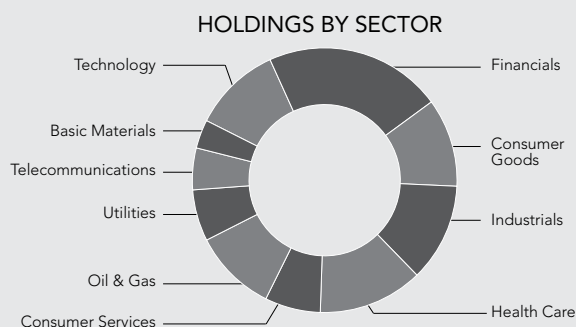
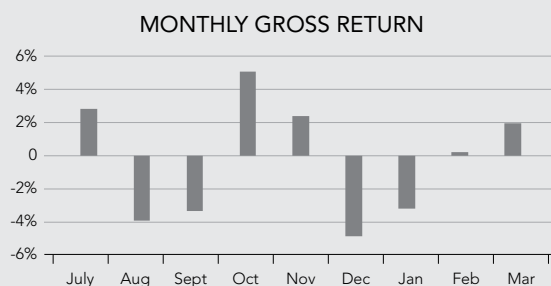
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$2.401
Units On Issue	12,994,000
Funds Under Management	\$31,197,425
Gross Distribution since inception	\$0.0192
Gross Return since inception	-3.38%
Fees	0.45%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that USV invests into. These will also affect the return you receive. For example, the annual operating expense (expense ratio) charged to the Vanguard Value ETF (VTV) is 0.09%. For more information on fees, please read the Investment Statement.



The objective of the US Large Value (USV) Smartshares fund is to invest in Vanguard's Value ETF (VTV), which aims to track the CRSP US Large Cap Value Index.

## 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

BNP Paribas Fund Services Australasia Pty Ltd

### 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 Master Trust Deed dated 24 June 2014 (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 US Large Value Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		643
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(1,626)
Foreign exchange gain		<u>17</u>
<b>Total investment income</b>		<b>(966)</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>97</u>
<b>Total expenses</b>		<b>97</b>
<b>Loss before tax</b>		<b>(1,063)</b>
Income tax expense	1	<u>278</u>
<b>Total income tax expense</b>		<b>278</b>
<b>Loss after tax</b>		<b>(1,341)</b>
<b>Total comprehensive loss</b>		<b><u><u>(1,341)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(10.26)</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 S'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(1,341)</u>
<b>Total comprehensive loss for the period</b>		<b>(1,341)</b>
Subscriptions from Unitholders	6	33,814
Redemptions by Unitholders	6	(1,183)
Distributions to Unitholders	5	<u>(179)</u>
		<b>32,452</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>31,111</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**

	Note	As at 31 March 2016 \$'000
<b>ASSETS</b>		
Cash and cash equivalents		397
Investments in equity securities held at fair value	2	<u>30,922</u>
<b>TOTAL ASSETS</b>		<b><u>31,319</u></b>
<b>LIABILITIES</b>		
Management fees payable	7	12
Taxation payable		53
Funds held for unit purchases		60
Unsettled trades		<u>83</u>
<b>TOTAL LIABILITIES</b>		<b><u>208</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>31,111</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>31,319</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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	547
<i>Cash was applied to:</i>	
Management fees paid	(85)
Taxation paid	(129)
<b>Net cash flows from operating activities</b>	<b><u>333</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	-
<i>Cash was applied to:</i>	
Purchase of investments	(101)
<b>Net cash flows from investing activities</b>	<b><u>(101)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	349
<i>Cash was applied to:</i>	
Redemptions by Unitholders	(5)
Distribution paid to Unitholders	(178)
Distribution paid for dividend reinvestment	(1)
<b>Net cash flows from financing activities</b>	<b><u>165</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>397</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at the end of period</b>	<b><u>397</u></b>
<b>Reconciliation of loss after tax to net cash flows from operating activities</b>	
Loss after tax	(1,341)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	1,626
Net changes in foreign exchange	(17)
Increase in taxation payable	53
Increase in management fees payable	12
<b>Net cash flows from operating activities</b>	<b><u>333</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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The US Large Value Trust (the 'Fund') is a for-profit unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard Value Index Fund ETF Shares (the 'Underlying Fund'), which tracks the CRSP US Large Cap Value Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard Value Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(278)
Prior period adjustment	-
Deferred tax movement	<u>-</u>
<b>Total tax expense</b>	<b><u>(278)</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:

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Loss before tax	<u>(1,063)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>298</b>
Net changes in fair value of financial assets	(455)
Non taxable income	180
Tax on securities subject to FDR	<u>(301)</u>
	<b>(278)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(278)</u></b>

**Imputation credit account (ICA)**

	<b>As at 31 March 2016 \$'000</b>
Imputation credits available for use in subsequent periods	112

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

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

	<b>As at 31 March 2016</b>		
<b>Underlying Fund</b>	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
Vanguard Value Index Fund ETF Shares	261	21,469	30,922
	<b>261</b>	<b>21,469</b>	<b>30,922</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 reporting date. The exchange rate used was 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$33,415,000 and a cash portion of \$185,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(1,341)
Weighted average number of units ('000)	13,072
<b>Basic and diluted losses per unit (cents per unit)</b>	<b>(10.26)</b>

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

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	As at 31 March 2016
Opening distributions payable	-
Distributions accrued to Unitholders	179
Distributed to Unitholders	<u>(179)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

Dividends declared and paid

	Dividend per unit (cents per unit)	For the Period ended 31 March 2016 \$'000
October 2015 (paid November 2015)	1.38	<u>179</u>
		<b><u><u>179</u></u></b>

6. UNITHOLDERS' FUNDS

As at 31 March 2016 there were 12,994,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 13,472,000 for total value of \$33,814,000.

The number of units redeemed during the period ended 31 March 2016 was 478,000 for total value of \$1,183,000.

	For the Period ended 31 March 2016 '000
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	13,472
Redemptions made during the period	<u>(478)</u>
<b>Units on issue at end of the period</b>	<b><u><u>12,994</u></u></b>

The net asset value of each unit per the financial statements is \$2.39426. 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 PERIOD ENDED 31 MARCH 2016**

**7. RELATED PARTY TRANSACTIONS**

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

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

The Manager receives management fees from the Fund. Under the Master Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor on behalf of the Fund and receives interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$97,000, with \$12,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$2,409.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 12,914,102 units valued at \$30,975,000 in the Fund. The Fund paid distributions of \$178,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 \$'000</b>
<i><u>Loans and receivables</u></i>	
Cash and cash equivalents	397
<i><u>Financial assets and financial liabilities at fair value through profit and loss</u></i>	
Investments in equity securities held at fair value	30,922
<i><u>Other financial liabilities</u></i>	
Management fees payable	12
Unsettled trades	83
Funds held for unit purchases	60

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 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 \$3,092,000.

## US LARGE VALUE TRUST

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

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

##### 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
Cash and cash equivalents	397

##### 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 investment in Vanguard Value Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Area. 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 units in the Underlying Fund. 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 United States 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 United States dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$3,084,000.

#### 9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2016.

#### 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 the US Large Value Trust**

We have audited the accompanying financial statements of the US Large Value Trust ("the Fund") on pages 92 to 102. 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 period 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 92 to 102 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the US Large Value Trust as at 31 March 2016 and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of 'KPMG' in black ink, written in a cursive, stylized font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	17	43.59%	7,490	0.06%
1,001-5,000	15	38.46%	39,883	0.31%
5,001-10,000	3	7.69%	22,475	0.17%
10,001-50,000	3	7.69%	45,050	0.35%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	2.56%	12,914,102	99.12%
<b>TOTAL</b>	<b>39</b>	<b>100.00%</b>	<b>13,029,000</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	12,914,102	99.12
Dean Richard Prebble	20,825	0.16
Craigs Investment Partners Limited	14,144	0.11
David Mountfort Haywood & Annette Maree Haywood	10,081	0.08
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	8,113	0.06
Larry Ronald Haycock	7,324	0.06
Andrew Mackay Drummond & Ross Drummond	7,038	0.05
Billy Cheung Services Limited	4,973	0.04
Bharat Umesh Ratanpal & Ayesha Bharat Ratanpal	4,437	0.03
David Alan Kendall & Jill Marjorie Todd & Mark Archibald Todd	4,000	0.03
Peter John Gates & Caroline Jessie Gates	3,943	0.03
Michael Frederick Keith	3,026	0.02
Arthur Mervyn Rudman	3,000	0.02
Thomas Buettner	2,282	0.02
Custodial Services Limited	2,200	0.02
Andre Willem Van Zyl & Lorraine Mercedes Marais	2,011	0.02
Neville Glaser	2,011	0.02
Rhys Alexander Barker	2,000	0.02
Robert Andrew James Stewart	2,000	0.02
Grolty Trustee Limited	1,702	0.01
	<b>13,019,212</b>	<b>99.94</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 12,994,000.

## 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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# US Large Growth Trust (USG)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the US Large Growth Trust

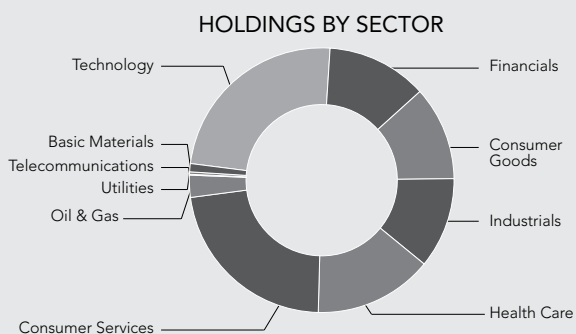
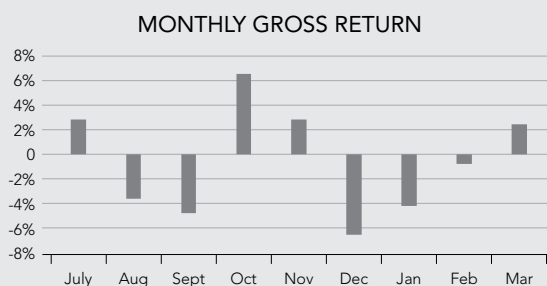
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$3.079
Units On Issue	10,349,000
Funds Under Management	\$31,864,468
Gross Distribution since inception	0.0104
Gross Return since inception	-5.89%
Fees	0.45%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that USG invests into. These will also affect the return you receive. For example, the annual operating expense (expense ratio) charged to the Vanguard Growth ETF (VUG) is 0.09%. For more information on fees, please read the Investment Statement.



The objective of the US Large Growth (USG) Smartshares fund is to invest in Vanguard's Growth ETF (VUG), which aims to track the CRSP US Large Cap Growth Index.

**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**

BNP Paribas Fund Services Australasia Pty Ltd

**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 Master Trust Deed dated 24 June 2014 (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 US Large Growth Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		333
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(2,136)
Foreign exchange gain		<u>16</u>
<b>Total investment income</b>		<b>(1,787)</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>99</u>
<b>Total expenses</b>		<b>99</b>
<b>Loss before tax</b>		<b>(1,886)</b>
Income tax expense	1	<u>286</u>
<b>Total income tax expense</b>		<b>286</b>
<b>Loss after tax</b>		<b>(2,172)</b>
<b>Total comprehensive loss</b>		<b><u><u>(2,172)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(21.03)</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 S'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(2,172)</u>
<b>Total comprehensive loss for the period</b>		<b>(2,172)</b>
Subscriptions from Unitholders	6	35,247
Redemptions by Unitholders	6	(1,204)
Distributions to Unitholders	5	<u>(77)</u>
		<b>33,966</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>31,794</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**

	<b>Note</b>	<b>As at 31 March 2016 \$'000</b>
<b>ASSETS</b>		
Cash and cash equivalents		151
Investments in equity securities held at fair value	2	<u>31,765</u>
<b>TOTAL ASSETS</b>		<b><u><u>31,916</u></u></b>
<b>LIABILITIES</b>		
Management fees payable	7	12
Taxation payable		66
Funds held for unit purchases		13
Unsettled trades		<u>31</u>
<b>TOTAL LIABILITIES</b>		<b><u><u>122</u></u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>31,794</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u><u>31,916</u></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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	283
<i>Cash was applied to:</i>	
Management fees paid	(87)
Taxation paid	<u>(170)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>26</u></u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	-
<i>Cash was applied to:</i>	
Purchase of investments	<u>(125)</u>
<b>Net cash flows from investing activities</b>	<b><u><u>(125)</u></u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	332
<i>Cash was applied to:</i>	
Redemptions paid to Unitholders	(5)
Distribution paid to Unitholders	(76)
Distribution paid for dividend reinvestment	<u>(1)</u>
<b>Net cash flows from financing activities</b>	<b><u><u>250</u></u></b>
<b>Net increase in cash and cash equivalents</b>	<b>151</b>
Cash and cash equivalents at beginning of period	<u>-</u>
<b>Cash and cash equivalents at the end of period</b>	<b><u><u>151</u></u></b>
<b>Reconciliation of loss after tax to net cash flows from operating activities</b>	
Loss after tax	(2,172)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	2,136
Net changes in foreign exchange	(16)
Increase in taxation payable	66
Increase in management fees payable	<u>12</u>
<b>Net cash flows from operating activities</b>	<b><u><u>26</u></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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The US Large Growth Trust (the 'Fund') is a unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard Growth Index Fund ETF Shares (the 'Underlying Fund'), which tracks the CRSP US Large Cap Growth Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard Growth Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(286)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(286)</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:

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Loss before tax	<u>(1,886)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>528</b>
Net changes in fair value of financial assets	(598)
Non taxable income	93
Tax on securities subject to FDR	<u>(309)</u>
	<b>(286)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(286)</u></b>
<b>Imputation credit account (ICA)</b>	
	<b>As at 31 March 2016 \$'000</b>
Imputation credits available for use in subsequent periods	206

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

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

	<b>As at 31 March 2016</b>		
	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
<b>Underlying Fund</b>			
Vanguard Growth Index Fund	<u>207</u>	<u>22,054</u>	<u>31,765</u>
	<u><b>207</b></u>	<u><b>22,054</b></u>	<u><b>31,765</b></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 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$34,305,000 and a cash portion of \$190,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(2,172)
Weighted average number of units ('000)	<u>10,328</u>
<b>Basic and diluted losses per unit (cents per unit)</b>	<u><b>(21.03)</b></u>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	77
Distributed to Unitholders	<u>(77)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
October 2015 (paid November 2015)	0.75	<u>77</u>
		<b><u><u>77</u></u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 10,349,000 units on issue.

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

The number of units allotted, during the period ended 31 March 2016 was 10,719,000 for total value of \$35,247,000.

The number of units redeemed during the period ended 31 March 2016 was 370,000 for total value of \$1,204,000.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	10,719
Redemptions made during the period	<u>(370)</u>
<b>Units on issue at end of the period</b>	<b><u><u>10,349</u></u></b>

The net asset value of each unit per the financial statements is \$3.07218. 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 period.

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

**7. RELATED PARTY TRANSACTIONS (Continued)**

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 the Fund and receives all interest earned on cash at call. Total gross management fees excluding rebates for the period ending 31 March 2016 amounted to \$99,000 with \$12,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$1,599.

The audit fee paid by the Manager for the audit of the Fund at the period ended 31 March 2016 was \$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 10,118,480 units valued at \$31,124,000 in the Fund. The Fund paid distributions of \$76,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

**Financial instruments by category**

	<b>As at 31 March 2016 \$'000</b>
<u><i>Loans and receivables</i></u>	
Cash and cash equivalents	151
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>	
Investments in equity securities held at fair value	31,765
<u><i>Other financial liabilities</i></u>	
Management fees payable	12
Unsettled trades	31
Funds held for unit purchases	13

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 \$3,176,000.

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

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

**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>
Cash and cash equivalents	151

**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 investment in Vanguard Growth Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Arca. 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 units in the Underlying Fund. 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 US 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 US dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$3,173,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 the US Large Growth Trust

We have audited the accompanying financial statements of the US Large Growth Trust ("the Fund") on pages 109 to 119. 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 period 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 109 to 119 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the US Large Growth Trust as at 31 March 2016 and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of 'KPMG' in black ink, written in a cursive, stylized font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	33	42.86%	14,498	0.14%
1,001-5,000	28	36.36%	64,719	0.62%
5,001-10,000	12	15.58%	83,669	0.81%
10,001-50,000	3	3.90%	77,634	0.75%
50,001-100,000	-	0.00%	-	0.00%
Greater than 100,000	1	1.30%	10,118,480	97.68%
<b>TOTAL</b>	<b>77</b>	<b>100.00%</b>	<b>10,359,000</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	10,118,480	97.68
Neville Murray Thompson & Bruce Raymond Sheppard & Murray Lawrence Schnauer	31,500	0.30
Neville Murray Thompson & Janmarie Elizabeth Thompson	31,000	0.30
Arthur William Young & Peter Webster Wilson	15,134	0.15
Peter Clifford Longdill	9,087	0.09
George Heatherwick Findlay	9,020	0.09
Timothy Shaun Lip	8,300	0.08
Investment Custodial Services Limited	7,750	0.07
John Ewen & John Ewen Trust Limited	7,400	0.07
Craigs Investment Partners Limited	7,067	0.07
Bharat Umesh Ratanpal & Ayesha Bharat Ratanpal	6,648	0.06
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	6,155	0.06
Franick Holdings Limited	6,006	0.06
Graham Alfred Walton	5,913	0.06
Andrew Mackay Drummond & Ross Drummond	5,312	0.05
Evan Graham Pedersen	5,011	0.05
Daniel Jacobus Steenkamp	4,860	0.05
Diane Cheryl Denning & Lewin Trustees Limited	4,400	0.04
Billy Cheung Services Limited	3,838	0.04
Samuel Morton Ollivier	3,508	0.03
	<b>10,296,389</b>	<b>99.4</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 10,349,000.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	1,155*	0
Tim Bennett (appointed 27 August 2013)	1,456*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# US Mid-Cap Trust (USM)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the US Mid-Cap Trust

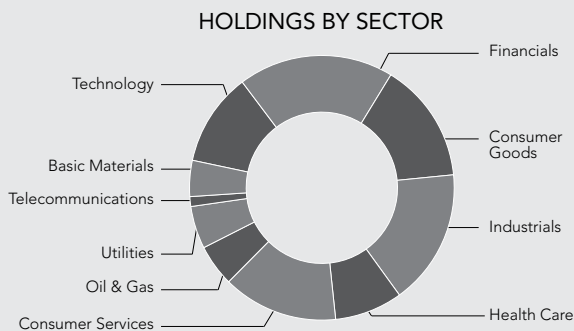
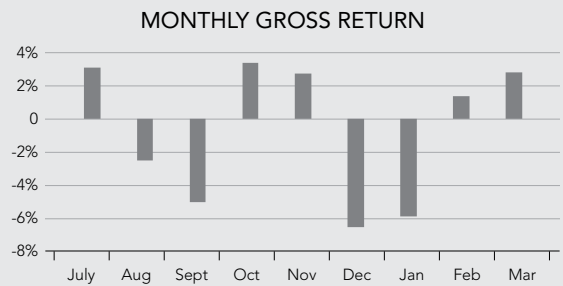
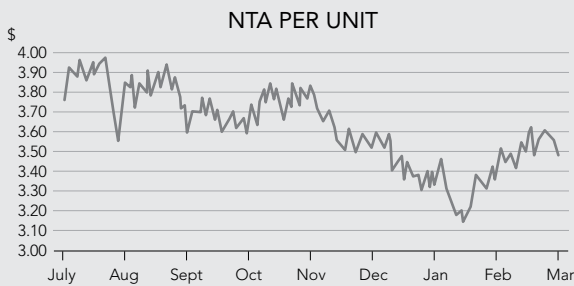
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$3.495
Units On Issue	6,928,500
Funds Under Management	\$24,217,463
Gross Distribution since inception	\$0.0437
Gross Return since inception	-6.98%
Fees	0.45%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that USM invests into. These will also affect the return you receive. For example, the annual operating expense (expense ratio) charged to the Vanguard Mid Cap ETF (VO) is 0.09%. For more information on fees, please read the Investment Statement.



The objective of the US Mid Cap (USM) Smartshares fund is to invest in Vanguard's Mid Cap ETF (VO), which aims to track the CRSP US Mid Cap Index.

## 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

BNP Paribas Fund Services Australasia Pty Ltd

### 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 Master Trust Deed dated 24 June 2014 (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 US Mid-Cap Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	Note	For the Period ended 31 March 2016 S'000
<b>INCOME</b>		
Dividend income		430
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(2,063)
Foreign exchange gain		<u>15</u>
<b>Total investment income</b>		<b>(1,618)</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>76</u>
<b>Total expenses</b>		<b>76</b>
<b>Loss before tax</b>		<b>(1,694)</b>
Income tax expense	1	<u>222</u>
<b>Total income tax expense</b>		<b>222</b>
<b>Loss after tax</b>		<b>(1,916)</b>
Other comprehensive income		<u>-</u>
<b>Total comprehensive loss</b>		<b><u><u>(1,916)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(27.60)</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 \$'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(1,916)</u>
<b>Total comprehensive loss for the period</b>		<b>(1,916)</b>
Subscriptions from Unitholders	6	27,347
Redemptions by Unitholders	6	(960)
Distributions to Unitholders	5	<u>(216)</u>
		<b>26,171</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>24,255</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**

	Note	As at 31 March 2016 S'000
<b>ASSETS</b>		
Cash and cash equivalents		131
Investments in equity securities held at fair value	2	<u>24,230</u>
<b>TOTAL ASSETS</b>		<u><u>24,361</u></u>
<b>LIABILITIES</b>		
Management fees payable	7	9
Taxation payable		55
Funds held for unit purchases		7
Unsettled trades		<u>35</u>
<b>TOTAL LIABILITIES</b>		<u><u>106</u></u>
<b>UNITHOLDERS' FUNDS</b>		<u><u>24,255</u></u>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<u><u>24,361</u></u>

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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	365
<i>Cash was applied to:</i>	
Management fees paid	(67)
Taxation paid	<u>(102)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>196</u></u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was applied to:</i>	
Purchase of investments	<u>(71)</u>
<b>Net cash flows from investing activities</b>	<b><u><u>(71)</u></u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	226
<i>Cash was applied to:</i>	
Redemptions paid to Unitholders	(4)
Distribution paid to Unitholders	(215)
Distribution paid for dividend reinvestment	<u>(1)</u>
<b>Net cash flows from financing activities</b>	<b><u><u>6</u></u></b>
<b>Net increase in cash and cash equivalents</b>	<b>131</b>
Cash and cash equivalents at beginning of period	<u>-</u>
<b>Cash and cash equivalents at the end of period</b>	<b><u><u>131</u></u></b>
<b>Reconciliation of net loss after tax to net cash flows from operating activities</b>	
Loss after tax	(1,916)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	2,063
Net changes in foreign exchange	(15)
Increase in taxation payable	55
Increase in management fees payable	<u>9</u>
<b>Net cash flows from operating activities</b>	<b><u><u>196</u></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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The US Mid-Cap Trust (the 'Fund') is a for-profit unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard Mid-Cap Index Fund ETF Shares (the 'Underlying Fund'), which tracks CRSP US Mid-Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard Mid-Cap Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

**For the  
Period ended  
31 March  
2016  
S'000**

**Tax expense comprises:**

Current tax expense	(222)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(222)</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**

**For the  
Period ended  
31 March  
2016  
S'000**

Loss before tax	<u>(1,694)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>474</b>
Net changes in fair value of financial assets	(578)
Non taxable income	119
Tax on securities subject to FDR	<u>(237)</u>
	<b>(222)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(222)</u></b>

**Imputation credit account (ICA)**

**As at  
31 March  
2016  
S'000**

Imputation credits available for use in subsequent periods	73
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2016**

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

			<b>As at 31 March 2016</b>
<b>Underlying Fund</b>	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
Vanguard Mid-Cap Index Fund ETF Shares	139	16,823	24,230
	<u>139</u>	<u>16,823</u>	<u>24,230</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 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$26,805,000 and a cash portion of \$150,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(1,916)
Weighted average number of units ('000)	<u>6,943</u>
<b>Basic and diluted losses per unit (cents per unit)</b>	<u><b>(27.60)</b></u>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	216
Distributed to Unitholders	<u>(216)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
October 2015 (paid November 2015)	3.15	<u>216</u>
		<b><u><u>216</u></u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 6,929,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 7,179,000 for total value of \$27,347,000.

The number of units redeemed during the period ended 31 March 2016 was 250,000 for total value of \$960,000.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	7,179
Redemptions made during the period	<u>(250)</u>
<b>Units on issue at end of the period</b>	<b><u><u>6,929</u></u></b>

The net asset value of each unit per the financial statements is \$3.50051. 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 period.

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

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

**7. RELATED PARTY TRANSACTIONS (Continued)**

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 interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$76,000, with \$9,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$1,600.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 6,825,226 units valued at \$23,833,000 in the Fund. The Fund paid distributions of \$215,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 S'000</b>
<i>Loans and receivables</i>	
Cash and cash equivalents	131
<i>Financial assets and financial liabilities at fair value through profit and loss</i>	
Investments in equity securities held at fair value	24,230
<i>Other financial liabilities</i>	
Management fees payable	9
Unsettled trades	35
Funds held for unit purchases	7

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 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 \$2,423,000.



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

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

**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>
Cash and cash equivalents	131

**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 investment in Vanguard Mid-Cap Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Arca. 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 units in the Underlying Fund. 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 United States 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 United States dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$2,423,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 the US Mid-Cap Trust**

We have audited the accompanying financial statements of the US Mid-Cap Trust ("the Fund") on pages 126 to 136. 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 period 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 126 to 136 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the US Mid-Cap Trust as at 31 March 2016 and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of 'KPMG' in black ink, written in a cursive, slightly slanted style.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	26	53.06%	11,952	0.17%
1,001-5,000	15	30.61%	40,407	0.58%
5,001-10,000	5	10.20%	37,215	0.54%
10,001-50,000	2	4.08%	23,700	0.34%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	2.04%	6,825,226	98.37%
<b>TOTAL</b>	<b>49</b>	<b>100.00%</b>	<b>6,938,500</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	6,825,226	98.37
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	13,615	0.20
ASB Nominees Limited	10,085	0.15
Graham John Skipper & Anne Skipper & Gregory Mark Lay	10,000	0.14
Craigs Investment Partners Limited	8,961	0.13
Investment Custodial Services Limited	6,909	0.10
David Alan Kendall & Jill Marjorie Todd & Mark Archibald Todd	6,000	0.09
Julie Robyn Benseman	5,345	0.08
Andrew Mackay Drummond & Ross Drummond	4,639	0.07
Anthony William Hurst	4,404	0.06
Billy Cheung Services Limited	3,389	0.05
Wallace John Semmens & Rose Agnes Semmens & Ernest William Gartrell	3,025	0.04
Philip Antony Guise & Carol Lesley Guise & Linda Irene Norman	3,000	0.04
John Francis Hyde	3,000	0.04
Clive Andrew Higgins & Elizabeth Mary Fitton Higgins	2,853	0.04
Ena Ho Yi Wong	2,578	0.04
Arthur Mervyn Rudman	2,500	0.04
Franick Holdings Limited	2,500	0.04
Jocelyn Jane Torrie	2,352	0.03
William Andrew Reinders	2,089	0.03
	<b>6,922,470</b>	<b>99.78</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 6,928,500.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	774*	0
Tim Bennett (appointed 27 August 2013)	975*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) – Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 – Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# US Small-Cap Trust (USS)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the US Small-Cap Trust

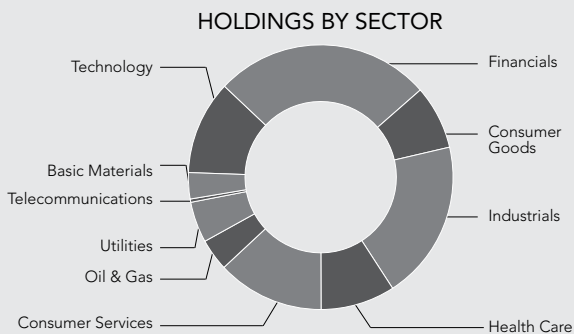
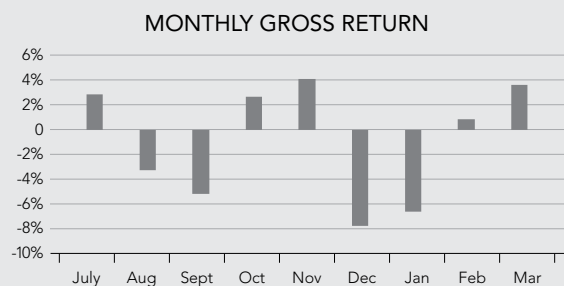
## Report to Unitholders

### HIGHLIGHTS

Launch Date 29-Jul-15

	March 2016
Net Tangible Assets (NTA)	\$3.218
Units On Issue	7,262,500
Funds Under Management	\$23,368,619
Gross Distribution since inception	\$0.0364
Gross Return since inception	-9.01%
Fees	0.45%*
Distributions paid	Quarterly

\* The Smartshares management fee is charged in addition to fees and expenses paid out of the underlying Vanguard fund that USS invests into. For example, the annual operating expense (expense ratio) charged to the Vanguard Small Cap ETF (VB) is 0.09%. For more information on fees, please read the Investment Statement.



The objective of the US Small Cap (USS) Smartshares fund is to invest in Vanguard's Small Cap ETF (VB), which aims to track the CRSP US Small Cap Index.

**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**

BNP Paribas Fund Services Australasia Pty Ltd

**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 Master Trust Deed dated 24 June 2014 (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 US Small-Cap Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		418
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>(2,548)</u>
<b>Total investment income</b>		<b>(2,130)</b>
<b>EXPENSES</b>		
Management fee expense	7	74
Foreign exchange loss		<u>5</u>
<b>Total expenses</b>		<b>79</b>
<b>Loss before tax</b>		<b>(2,209)</b>
Income tax expense	1	<u>209</u>
<b>Total income tax expense</b>		<b>209</b>
<b>Loss after tax</b>		<b>(2,418)</b>
<b>Total comprehensive loss</b>		<b><u><u>(2,418)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(33.13)</u></u></b>



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

		For the Period ended 31 March 2016 S'000
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(2,418)</u>
<b>Total comprehensive loss for the period</b>		<b>(2,418)</b>
Subscriptions from Unitholders	6	26,972
Redemptions by Unitholders	6	(946)
Distributions to Unitholders	5	<u>(196)</u>
		<b>25,830</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>23,412</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**

	<b>Note</b>	<b>As at 31 March 2016 \$'000</b>
<b>ASSETS</b>		
Cash and cash equivalents		149
Investments in equity securities held at fair value	2	<u>23,363</u>
<b>TOTAL ASSETS</b>		<u><u>23,512</u></u>
<b>LIABILITIES</b>		
Management fees payable	7	9
Taxation payable		52
Funds held for unit purchases		7
Unsettled trades		<u>32</u>
<b>TOTAL LIABILITIES</b>		<u><u>100</u></u>
<b>UNITHOLDERS' FUNDS</b>		<u><u>23,412</u></u>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<u><u>23,512</u></u>

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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	355
<i>Cash was applied to:</i>	
Management fees paid	(65)
Taxation paid	(94)
<b>Net cash flows from operating activities</b>	<b><u>196</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	-
<i>Cash was applied to:</i>	
Purchase of investments	(50)
<b>Net cash flows from investing activities</b>	<b><u>(50)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	203
<i>Cash was applied to:</i>	
Redemptions paid to Unitholders	(4)
Distribution paid to Unitholders	(195)
Distribution paid for dividend reinvestment	(1)
<b>Net cash flows from financing activities</b>	<b><u>3</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>149</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at the end of period</b>	<b><u>149</u></b>
<b>Reconciliation of net loss after tax to net cash flows from operating activities</b>	
Net loss after tax	(2,418)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	2,548
Net changes in foreign exchange	5
Increase in taxation payable	52
Increase in management fees payable	9
<b>Net cash flows from operating activities</b>	<b><u>196</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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The US Small-Cap Trust (the 'Fund') is a for-profit unit trust established on 10 July 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 29 July 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that invests in Vanguard Small-Cap Index Fund ETF Shares (the 'Underlying Fund'), which tracks the CRSP US Small Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index in proportion to the weightings of the Underlying Index. 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 New York Stock Exchange Arca on 31 March 2016 (see Note 2).

**STATEMENT OF ACCOUNTING POLICIES**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 29 July 2015 to 31 March 2016. There are no comparative figures.

**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 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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**Financial assets at fair value through profit or loss**

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 accounts payable 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 PERIOD 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 units in the Underlying Fund and 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 quarterly 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 January, April, July and October in each 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 portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 investment management, investing in the Underlying Fund; Vanguard Small-Cap Index Fund ETF Shares. At the period ended 31 March 2016, the Fund received all its dividend income from this investment.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(209)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(209)</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:

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Loss before tax	<u>(2,209)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>619</b>
Net changes in fair value of financial assets	(714)
Non taxable income	117
Tax on securities subject to FDR	<u>(231)</u>
	<b>(209)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(209)</u></b>
<b>Imputation credit account (ICA)</b>	
	<b>As at 31 March 2016 \$'000</b>
Imputation credits available for use in subsequent periods	79

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

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

	<b>As at 31 March 2016</b>		
	<b>Number of Units '000</b>	<b>Fair Value USD \$'000</b>	<b>Fair Value NZD \$'000</b>
<b>Underlying Fund</b>			
Vanguard Small-Cap Index Fund ETF Shares	145	16,221	23,363
	<b><u>145</u></b>	<b><u>16,221</u></b>	<b><u>23,363</u></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 reporting date. The exchange rate used was 0.6943. The Fund was seeded with a non cash in specie transfer of shares valued at \$26,549,000 and a cash portion of \$150,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**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 period.

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 Period ended 31 March 2016</b>
Loss after tax (\$'000)	(2,418)
Weighted average number of units ('000)	<u>7,298</u>
<b>Basic and diluted losses per unit (cents per unit)</b>	<b><u>(33.13)</u></b>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	196
Distributed to Unitholders	<u>(196)</u>
<b>Closing distribution payable</b>	<b><u><u>-</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
October 2015 (paid November 2015)	2.70	<u>196</u>
		<b><u><u>196</u></u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 7,262,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 7,527,000 for total value of \$26,972,000.

The number of units redeemed during the period ended 31 March 2016 was 265,000 for total value of \$946,000.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	7,527
Redemptions made during the period	<u>(265)</u>
<b>Units on issue at end of the period</b>	<b><u><u>7,262</u></u></b>

The net asset value of each unit per the financial statements is \$3.22391. 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 period.

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



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

**7. RELATED PARTY TRANSACTIONS (Continued)**

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 interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$74,000, with \$9,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$1,745.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 7,190,026 units valued at \$23,112,000 in the Fund. The Fund paid distributions of \$194,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 liabilities whose carrying amounts approximate fair value.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 \$'000</b>
<hr/> <i>Loans and receivables</i> <hr/>	
Cash and cash equivalents	149
<hr/> <i>Financial assets and financial liabilities at fair value through profit and loss</i> <hr/>	
Investments in equity securities held at fair value	23,363
<hr/> <i>Other financial liabilities</i> <hr/>	
Management fees payable	9
Unsettled trades	32
Funds held for unit purchases	7

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 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 \$2,336,000.

**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

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

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

the reporting date are:

	<b>As at 31 March 2016 \$'000</b>
Cash and cash equivalents	149

**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 investment in Vanguard Small-Cap Index Fund ETF Shares are considered readily realisable, as they are quoted on the New York Stock Exchange Arca. 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 units in the Underlying Fund. 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 United States 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 United States dollar as at 31 March 2016 would have decreased/increased profit and Unitholders funds by \$2,333,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 the US Small-Cap Trust**

We have audited the accompanying financial statements of the US Small-Cap Trust ("the Fund") on pages 143 to 153. 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 period 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 143 to 153 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of the US Small-Cap Trust as at 31 March 2016 and its financial performance and cash flows for the period 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, appearing as 'KPMG' in a stylized, cursive font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	22	53.66%	9,771	0.13%
1,001-5,000	13	31.71%	29,383	0.40%
5,001-10,000	3	7.32%	19,047	0.26%
10,001-50,000	2	4.88%	24,273	0.33%
50,001-100,000	-	0.00%	-	0.00%
Greater than 100,000	1	2.44%	7,190,026	98.87%
<b>TOTAL</b>	<b>41</b>	<b>100.00%</b>	<b>7,272,500</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	7,190,026	98.87
Investment Custodial Services Limited	14,195	0.20
ASB Nominees Limited	10,078	0.14
William John Duff Eaton	7,950	0.11
Craigs Investment Partners Limited	5,554	0.08
Bruce Robert Benseman	5,543	0.08
Timothy Shaun Lip	4,250	0.06
Billy Cheung Services Limited	3,675	0.05
Miraz Jordan	3,000	0.04
John Francis Hyde	3,000	0.04
ASB Nominees Limited	2,565	0.04
William Andrew Reinders	2,228	0.03
Andrew Wallace	1,857	0.03
Quentin Bede Bourke	1,781	0.02
Barry Grant Dahlberg	1,640	0.02
Keith Houston Alexander	1,511	0.02
Jason Scott Read	1,451	0.02
James Punnett	1,418	0.02
Justine Malcolm Smith	1,007	0.01
Damian Peter Woodhouse	920	0.01
	<b>7,263,649</b>	<b>99.89</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 7,262,500.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	813*	0
Tim Bennett (appointed 27 August 2013)	1,025*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# New Zealand Property Index Trust (NPF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

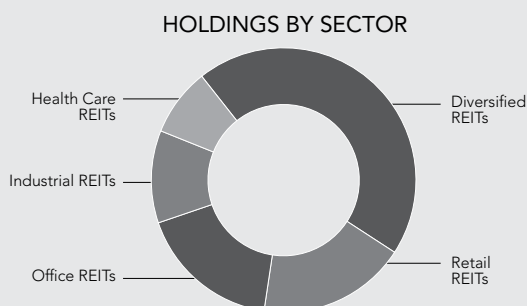
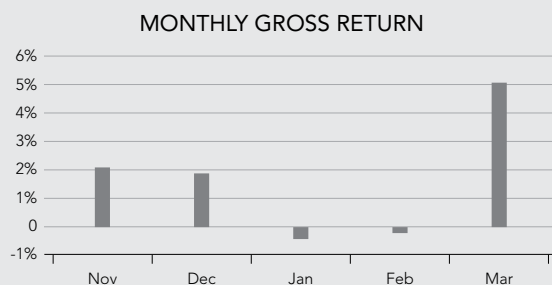
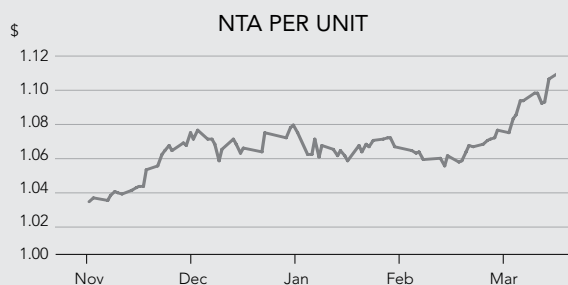
Presented by Smartshares Limited, Manager of the New Zealand Property Index Trust

## Report to Unitholders

### HIGHLIGHTS

Launch Date 12-Nov-15

	March 2016
Net Tangible Assets (NTA)	\$1.105
Units On Issue	40,355,787
Funds Under Management	\$44,587,898
Gross Distribution since inception	\$0.0171
Gross Return since inception	8.70%
Fees	0.54%
Distributions paid	Quarterly



## 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

BNP Paribas Fund Services Australasia Pty Ltd

### 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 Master Trust Deed dated 24 June 2014 (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 New Zealand Property Index Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	Note	For the Period ended 31 March 2016 S'000
<b>INCOME</b>		
Dividend income		931
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>2,441</u>
<b>Total investment income</b>		<b>3,372</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>87</u>
<b>Total expenses</b>		<b>87</b>
<b>Profit before tax</b>		<b>3,285</b>
Income tax credit	1	<u>24</u>
<b>Total income tax credit</b>		<b>24</b>
<b>Profit after tax</b>		<b>3,309</b>
Other comprehensive income		<u>-</u>
<b>Total comprehensive income</b>		<b><u>3,309</u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted earnings per unit (cents per unit)</b>	4	<b><u>8.46</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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 \$'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Profit after tax		<u>3,309</u>
<b>Total comprehensive income for the period</b>		<b>3,309</b>
Subscriptions from Unitholders	6	41,863
Distributions to Unitholders	5	<u>(584)</u>
		<b>41,279</b>
<b>Unitholders' funds at the end of the period</b>		<u><u><b>44,588</b></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**

	<b>Note</b>	<b>As at 31 March 2016 S'000</b>
<b>ASSETS</b>		
Cash and cash equivalents		994
Investments in equity securities held at fair value	2	44,201
Taxation receivable		<u>24</u>
<b>TOTAL ASSETS</b>		<b><u>45,219</u></b>
<b>LIABILITIES</b>		
Management fees payable	7	20
Distribution payable to Unitholders	5	584
Funds held for unit purchases		<u>27</u>
<b>TOTAL LIABILITIES</b>		<b><u>631</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>44,588</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>45,219</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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	931
<i>Cash was applied to:</i>	
Management fees paid	<u>(67)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>864</u></u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	1,070
<i>Cash was applied to:</i>	
Purchase of investments	<u>(1,359)</u>
<b>Net cash flows from investing activities</b>	<b><u><u>(289)</u></u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	<u>419</u>
<b>Net cash flows from financing activities</b>	<b><u><u>419</u></u></b>
<b>Net increase in cash and cash equivalents</b>	<b>994</b>
Cash and cash equivalents at beginning of period	<u>-</u>
<b>Cash and cash equivalents at the end of period</b>	<b><u><u>994</u></u></b>
<b>Reconciliation of profit after tax to net cash flows from operating activities</b>	
Profit after tax	3,309
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(2,441)
Increase in taxation receivable	(24)
Increase in management fees payable	<u>20</u>
<b>Net cash flows from operating activities</b>	<b><u><u>864</u></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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The New Zealand Property Index Trust (the 'Fund') is a for-profit unit trust established on 15 October 2015 in New Zealand under the Unit Trusts Act 1960. 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 12 November 2015.

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 Real Estate Select 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**

**Comparative period**

These are the Fund's first set of financial statements and are for the period 12 November 2015 to 31 March 2016. There are no comparative figures.

**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 accounting policies.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**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 PERIOD 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 units in the Underlying Fund and 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 quarterly basis directly from the Fund within 20 Business Days of each Record Date. The Record Date for the Fund is on or around the last Business Day of each of March, June, September and December in each 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 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 investment management, investing in New Zealand equities. The Fund received all its income from its New Zealand equity investments. For the period ended 31 March 2016, five equity investments individually contributed 10% or more of the Fund's dividend income. The individual dividend income received from these five equity investments amounted to \$189,000, \$166,000, \$160,000, \$155,000 and \$117,000.

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

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	-
Prior period adjustment	-
Deferred tax movement	<u>24</u>
<b>Total tax credit</b>	<u><u>24</u></u>

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>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Profit before tax	<u>3,285</u>
<b>Income tax using the statutory income tax rate 28%</b>	<u>(920)</u>
Net changes in fair value of financial assets and financial liabilities	684
Non taxable income	137
Gross up of imputation credits	<u>(48)</u>
	<u>(147)</u>
Add imputation credits and other tax credits	<u>171</u>
<b>Income tax credit as per Statement of Comprehensive Income</b>	<u><u>24</u></u>

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Deferred tax</b>	
Opening balance	-
Current period movements	<u>24</u>
<b>Closing balance</b>	<u><u>24</u></u>

	<b>As at 31 March 2016 \$'000</b>
<b>Imputation credit account (ICA)</b>	
Imputation credits available for use in subsequent periods	66



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

**2. INVESTMENT SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS**

	As at 31 March 2016	Fair Value NZD \$'000
	Number of Shares '000	
<b>Underlying securities</b>		
Argosy Property Limited	5,537	6,562
Goodman Property Trust	5,943	7,845
Property For Industry Limited	3,060	5,003
Stride Property Limited	2,490	5,504
Vital Healthcare Property Trust	1,793	3,658
Kiwi Property Group Limited	5,508	7,958
Precinct Properties New Zealand Limited	6,112	7,671
	<u>30,443</u>	<u>44,201</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 Fund was seeded with a non cash in specie transfer of shares valued at \$38,750,000 and a cash portion of \$60,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Ltd. The investments are registered in the name of BNP Paribas Fund Services Australasia 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 period ended 31 March 2016.

**4. EARNINGS PER UNIT**

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

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

	For the Period ended 31 March 2016
Profit after tax (\$'000)	3,309
Weighted average number of units ('000)	<u>39,106</u>
<b>Basic and diluted earnings per unit (cents per unit)</b>	<u><b>8.46</b></u>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDER**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	584
Distributed to Unitholders	<u>-</u>
<b>Closing distribution payable</b>	<b><u><u>584</u></u></b>

**Dividends declared and paid**

	<b>Dividend per unit cents per unit)</b>	<b>Period ended 31 March 2016</b>
March 2016 (paid April 2016)	1.45	584

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 40,356,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 40,356,000 for total value of \$41,863,000.

The number of units redeemed during the period ended 31 March 2016 was NIL for total value of \$NIL.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	<u>40,356</u>
<b>Units on issue at end of the period</b>	<b><u><u>40,356</u></u></b>

The net asset value of each unit per the financial statements is \$1.10487. 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 PERIOD ENDED 31 MARCH 2016**

**7. RELATED PARTY TRANSACTIONS**

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

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 the Fund and receives interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$87,000, with \$20,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$3,236.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 39,798,787 units valued at \$43,929,000 in the Fund. The Fund paid distributions of \$576,000 to SuperLife superannuation scheme. Of the balance, total remaining as payable at the end of the period is \$576,000.

**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.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 \$'000</b>
<i>Loans and receivables</i>	
Cash and cash equivalents	994
<i>Financial assets and financial liabilities at fair value through profit and loss</i>	
Investments in equity securities held at fair value	44,201
<i>Other financial liabilities</i>	
Management fees payable	20
Funds held for unit purchases	27
Distributions payable to Unitholders	584

The Fund's activities expose it to a variety of financial risks: market price risk, credit 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 profit and Unitholder funds by \$4,420,000.

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

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

**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>
Cash and cash equivalents	994

**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.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 New Zealand Property Index Trust

We have audited the accompanying financial statements of New Zealand Property Index Trust ("the Fund") on pages 160 to 171. 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 period 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 160 to 171 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of New Zealand Property Index Trust as at 31 March 2016 and its financial performance and cash flows for the period 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, appearing as 'KPMG' in a cursive, slightly slanted font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	9	13.04%	5,215	0.01%
1,001-5,000	32	46.38%	91,700	0.23%
5,001-10,000	13	18.84%	101,833	0.25%
10,001-50,000	12	17.39%	270,966	0.67%
50,001-100,000	1	1.45%	94,484	0.23%
Greater than 100,000	2	2.90%	40,041,589	98.61%
<b>TOTAL</b>	<b>69</b>	<b>100.00%</b>	<b>40,605,787</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	39,798,787	98.01
Alan James Phillips & Helen Marie Phillips	242,802	0.60
Stephen Allan Mcgregor & Jane Costigan	94,484	0.23
Anthony Smith & Barbara Smith	49,096	0.12
Ray Ivan Pitch	47,706	0.12
Craigs Investment Partners Limited	31,073	0.08
George Heatherwick Findlay	25,000	0.06
Custodial Services Limited	25,000	0.06
John Joseph O'Brien	20,256	0.05
Angela Jane Lee	18,074	0.04
Clive Andrew Higgins & Elizabeth Mary Fitton Higgins	14,249	0.04
Bruce John Belcher	10,128	0.02
Neville Graham Tomlinson & Caroline Dawn Tomlinson	10,128	0.02
Harrison John Newton	10,128	0.02
Philip Andrew Ross Lewis	10,128	0.02
Karen Elizabeth Mary O'Brien	9,623	0.02
David Eugene Kelly	9,463	0.02
William Frederick King & Christine Anne King	9,458	0.02
Grant Andrew Skilton & Naomi Cogger	9,411	0.02
Robert Ian Nicholas	9,319	0.02
	<b>40,454,313</b>	<b>99.59</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 40,355,787.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	6,242*	0
Tim Bennett (appointed 27 August 2013)	0	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# Australian Property Index Trust (ASP)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Presented by Smartshares Limited, Manager of the Australian Property Index Trust

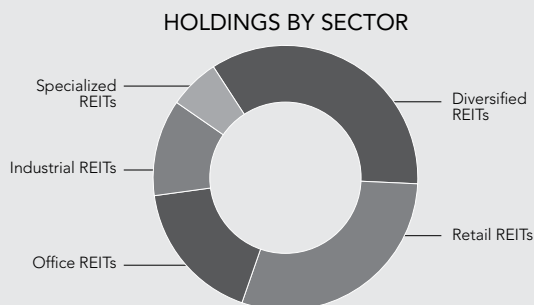
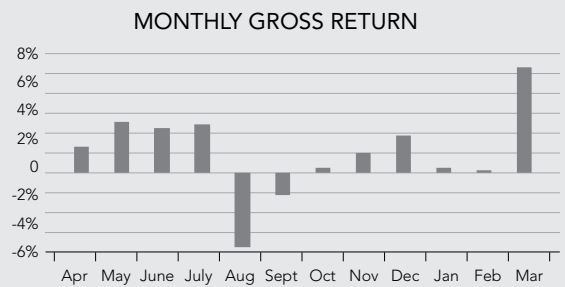
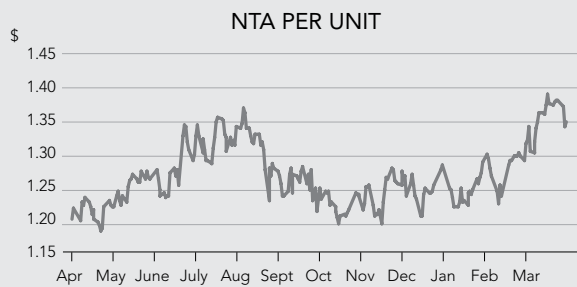
## Report to Unitholders

### HIGHLIGHTS

Launch Date 16-Dec-14

	March 2016	March 2015
Net Tangible Assets (NTA)	\$1.348	\$1.198
Units On Issue	31,798,089	25,423,089
Funds Under Management	\$42,862,234	\$30,455,844
Full Year Gross Distribution	\$0.055	\$0.029*
Gross Return	17.38%	6.84%*
Fees	0.54%	0.54%
Distributions paid	Quarterly	

\* Since inception (16 December 2014)





## 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 Australia Pty Ltd

### 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 July 2015)  
Paul R. S. Hocking  
Peter A. Metz  
Robert P. Russell  
David R. Neidhart (appointed 29 Sept 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 and the Investment 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 Master Trust Deed dated 24 June 2014 (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 Australian Property Index Trust (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 dated 24 June 2014.

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**

	Note	For the Year ended 31 March 2016 \$'000	For the Period ended 31 March 2015 \$'000
<b>INCOME</b>			
Dividend income		1,890	775
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>4,534</u>	<u>988</u>
<b>Total investment income</b>		<b>6,424</b>	<b>1,763</b>
<b>EXPENSES</b>			
Management fee expense	7	186	49
Other expenses		3	-
Foreign exchange loss		<u>19</u>	<u>12</u>
<b>Total expenses</b>		<b>208</b>	<b>61</b>
<b>Profit before tax</b>		<b>6,216</b>	<b>1,702</b>
Income tax expense	1	<u>421</u>	<u>109</u>
<b>Total income tax expense</b>		<b>421</b>	<b>109</b>
<b>Profit after tax</b>		<b>5,795</b>	<b>1,593</b>
<b>Total comprehensive income</b>		<b><u>5,795</u></b>	<b><u>1,593</u></b>
<b>EARNINGS PER UNIT</b>			
Basic and diluted earnings per unit (cents per unit)	4	<b><u>21.14</u></b>	<b><u>6.34</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**

		<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Period ended 31 March 2015 \$'000</b>
<b>Unitholders' funds at beginning of the year/period</b>		<b>30,454</b>	<b>-</b>
Profit after tax		<u>5,795</u>	<u>1,593</u>
<b>Total comprehensive income for the year/period</b>		<b>5,795</b>	<b>1,593</b>
Subscriptions from Unitholders	6	7,920	29,585
Distributions to Unitholders	5	<u>(1,376)</u>	<u>(724)</u>
		<b>6,544</b>	<b>28,861</b>
<b>Unitholders' funds at the end of the year/period</b>		<b><u><u>42,793</u></u></b>	<b><u><u>30,454</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**

	Note	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
<b>ASSETS</b>			
Cash and cash equivalents		855	937
Taxation receivable		-	29
Receivables		51	34
Investment securities designated as fair value through profit or loss	2	<u>42,743</u>	<u>30,272</u>
<b>TOTAL ASSETS</b>		<b><u>43,649</u></b>	<b><u>31,272</u></b>
<b>LIABILITIES</b>			
Management fees payable		20	15
Taxation payable		14	-
Funds held for unit purchases		7	79
Distribution payable to Unitholders	5	<u>815</u>	<u>724</u>
<b>TOTAL LIABILITIES</b>		<b><u>856</u></b>	<b><u>818</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>42,793</u></b>	<b><u>30,454</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>43,649</u></b>	<b><u>31,272</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**

	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Period ended 31 March 2015 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Dividend income received	1,690	741
<i>Cash was applied to:</i>		
Other expenses paid	(3)	-
Management fees paid	(181)	(34)
Taxation paid	(195)	(138)
<b>Net cash flows from operating activities</b>	<b><u>1,311</u></b>	<b><u>569</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of investments	7,974	15,426
<i>Cash was applied to:</i>		
Purchase of investments	(8,494)	(15,405)
<b>Net cash flows from investing activities</b>	<b><u>(520)</u></b>	<b><u>21</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions received from Unitholders	414	359
<i>Cash was applied to:</i>		
Distribution paid to Unitholders	(1,264)	-
Distribution paid for dividend reinvestment	(21)	-
<b>Net cash flows from financing activities</b>	<b><u>(871)</u></b>	<b><u>359</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>(80)</b>	<b>949</b>
Cash and cash equivalents at beginning of year/period	937	-
Effect of exchange rate fluctuations on cash and cash equivalents	(2)	(12)
<b>Cash and cash equivalents at the end of year/period</b>	<b><u>855</u></b>	<b><u>937</u></b>
<b>Reconciliation of profit after tax to net cash provided by operating activities</b>		
Profit after tax	5,795	1,593
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(4,534)	(988)
Net changes in foreign exchange	19	12
(Increase) in receivables	(17)	(34)
Increase in tax payable	14	-
Increase management fees payable	5	15
Decrease/(increase) in taxation receivable	29	(29)
<b>Net cash flows from operating activities</b>	<b><u>1,311</u></b>	<b><u>569</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 Australian Property Index Trust (the 'Fund') is a for-profit Unit trust established on 1 December 2014 in New Zealand under the Unit Trusts Act 1960. 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 dividends received from the investments less expenses paid. All changes in the value of investments, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund is governed by a Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 16 December 2014.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The Fund is a passive investment fund that tracks the S&P/ASX 200 A - Reit Equal Weight 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 ASX 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.

**Comparative period**

Comparative figures for the period ended 31 March 2015 are for the period of 16 December 2014 to 31 March 2015.

**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 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 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 at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the 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 balance sheet 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 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 to Unitholders are currently made directly from the Fund within 20 Business Days of the last Business Day in each of March, June, September and December 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 some 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 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 investment management, investing in Australian Equities. The Fund received all its income from its Australian equity investments. Dividend income was received during the year from one equity investment that individually contributed 10% or more of the Fund's dividend income. The dividend income received from the equity investment was \$198,000 (31 March 2015: SNIL).



**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 Period ended 31 March 2015 \$'000</b>
<b>Tax expense comprises:</b>		
Current tax expense	(423)	(109)
Prior period adjustment	2	-
Deferred tax movement	-	-
<b>Total tax expense</b>	<b><u>(421)</u></b>	<b><u>(109)</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 Period ended 31 March 2015 \$'000</b>
Profit before tax	<u>6,216</u>	<u>1,702</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>(1,740)</b>	<b>(476)</b>
Net changes in fair value of financial assets	1,270	275
Non taxable income	529	217
Tax on securities subject to FDR	<u>(478)</u>	<u>(125)</u>
	<b>(419)</b>	<b>(109)</b>
Less imputation credits and other tax credits	(4)	-
Prior period adjustment	<u>2</u>	<u>-</u>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(421)</u></b>	<b><u>(109)</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	14	55

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

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

Company	Number of Shares '000	Fair Value AUDS'000	As at 31 March 2016		Fair Value AUDS'000	Fair Value NZDS'000
			Number of Shares '000	Fair Value NZDS'000		
Abacus Property Group	752	2,241	2,482	527	1,534	1,563
BWP Trust	674	2,306	2,555	636	1,908	1,943
Charter Hall Group	486	2,255	2,498	385	1,965	2,002
Cromwell Property Group	2,193	2,280	2,527	1,668	1,893	1,929
Charter Hall Retail - REIT	509	2,338	2,590	426	1,829	1,863
Dexus Property Group	287	2,277	2,523	241	1,827	1,861
Federation Centres	-	-	-	638	1,939	1,976
Goodman Property Group	337	2,246	2,488	301	1,909	1,944
GPT Group	450	2,248	2,491	401	1,835	1,869
Investa Office Fund	541	2,269	2,514	470	1,833	1,867
Mirvac Group Property Trust	1,200	2,321	2,572	931	1,871	1,906
Novion Property Group	-	-	-	747	1,874	1,910
Scentre Group	505	2,241	2,483	490	1,834	1,868
Shopping Centres Australia Property Group	980	2,245	2,487	966	1,951	1,987
Stockland	525	2,241	2,483	409	1,841	1,875
Westfield Corporation	224	2,237	2,478	196	1,870	1,905
Abacus Property Group Non Renounceable Rights	-	-	-	49	4	4
Vicinity Centres	711	2,268	2,513	-	-	-
Growthpoint Properties Australia	718	2,254	2,498	-	-	-
National Storage REIT	1,436	2,312	2,561	-	-	-
		<u>38,579</u>	<u>42,743</u>		<u>29,717</u>	<u>30,272</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 exchange rate used in March 2016 was \$0.9026 (March 2015 \$0.9816). 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.

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

**4. EARNINGS PER UNIT**

The basic earnings per unit (EPU) is calculated by dividing the profit/(loss) after tax 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 Period ended 31 March 2015</b>
Profit after tax (\$'000)	5,795	1,593
Weighted average number of units ('000)	<u>27,413</u>	<u>25,111</u>
<b>Basic and diluted earnings per unit (cents per unit)</b>	<b><u>21.14</u></b>	<b><u>6.34</u></b>

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Opening distributions payable	724	-
Distribution accrued to Unitholders	1,376	724
Distributed to Unitholders	<u>(1,285)</u>	<u>-</u>
<b>Closing distribution payable</b>	<b><u>815</u></b>	<b><u>724</u></b>

**Dividends declared and paid**

	<b>Year ended</b>	<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 2015 (paid April 2015)	31/03/2015	2.65	674	-
September 2015 (paid October 2015)	31/03/2016	2.36	<u>611</u>	<u>-</u>
			<b><u>1,285</u></b>	<b><u>-</u></b>
<b>Dividends declared and not paid</b>				
March 2016 (paid April 2016)	31/03/2016	2.56	815	-

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 31,798,000 units on issue (March 2015 25,423,000).

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 6,375,000 (March 2015 25,423,000) for total value of \$7,920,000 (March 2015 \$29,585,000).

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

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

The number of units redeemed for the year ended 31 March 2016 was Nil (March 2015 Nil) for total value of \$Nil (March 2015 \$Nil).

	<b>For the Year ended 31 March 2016 '000</b>	<b>For the Period ended 31 March 2015 '000</b>
<b>Movement in the number of units</b>		
Balance at beginning of the year/period	25,423	-
Subscriptions received during the year/period	<u>6,375</u>	<u>25,423</u>
<b>Units on issue at end of the year/period</b>	<b><u>31,798</u></b>	<b><u>25,423</u></b>

The net asset value of each unit per the financial statements is \$1.34578 (March 2015 \$1.19789). 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 Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Audit charges in respect 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 (March 2015 \$Nil).

The total interest earned on cash at call for the year ended 31 March 2016 amounted to \$8,000 (March 2015 \$Nil).

Total gross management fees excluding rebates for the year ended 31 March 2016 amounted to \$186,000 (March 2015 \$49,000), with \$20,000 (March 2015 \$15,000) of outstanding accrued management fees due to the Manager at the end of the year.

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2016 was \$4,000 (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 30,507,044 units (March 2015: 24,798,089) valued at \$41,081,000 (March 2015: \$29,677,000) in the Fund.

The Fund paid distributions of \$1,368,000 (March 2015: \$657,000) to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the year is \$781,000 (March 2015: \$657,000).

**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 liabilities whose carrying amounts approximate fair value.

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

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

	<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	855	937
Receivables	51	34
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>		
Investments in equity securities held at fair value	42,743	30,272
<u><i>Other financial liabilities</i></u>		
Management fees payable	20	15
Funds held for unit purchases	7	79
Distributions payable to Unitholders	815	724

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 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 \$4,274,000 (March 2015: \$3,027,000).

**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 balance date are:

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Cash and cash equivalents	855	937
Receivables	51	34

**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 \$4,280,000 (March 2015 \$3,045,000).

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

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

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Cash and cash equivalents	6	143
Receivables	51	34
Investment securities designated as fair value through profit and loss	42,743	30,272

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies at 31 March 2016 (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 Australian Property Index Trust**

We have audited the accompanying financial statements of Australian Property Index Trust ("the Fund") on pages 178 to 190. 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 178 to 190 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Australian Property Index Trust 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 'KPMG' in black ink, written in a cursive, stylized font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	25	18.66%	16,153	0.05%
1,001-5,000	53	39.55%	157,223	0.49%
5,001-10,000	23	17.16%	177,217	0.56%
10,001-50,000	27	20.15%	533,738	1.68%
50,001-100,000	4	2.99%	324,762	1.02%
Greater than 100,000	2	1.49%	30,588,996	96.20%
<b>TOTAL</b>	<b>134</b>	<b>100.00%</b>	<b>31,798,089</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	30,477,044	95.85
David Georges Andre Dromer	111,952	0.35
Tania Natasha Tikus Murray & Neil Lawrence Murray & Brown Street Trustees Ltd	83,610	0.26
John Lindsay Holland & Andrew Nicholas Crosbie Woods	81,899	0.26
Neil Lawrence Murray & Tania Natasha Tikus Murray & Graeme William Elvin	81,499	0.26
Andrew Merfyn Williams	77,754	0.24
Raymon Williams	49,984	0.16
Craigs Investment Partners Limited	48,477	0.15
Ajd Family Nominees Limited	38,902	0.12
Billy Cheung Services Limited	29,025	0.09
Mark David Sweetapple & Janine Peta Sweetapple	27,269	0.09
Craig Plim & Fiona Margaret Plim	23,053	0.07
Roger Alan Dodds	20,831	0.07
Marjo Riitta Ramaekers	20,800	0.07
John Francis Paige Hudson & Laura Margaret Victoria Hudson	20,000	0.06
Daniel Tisch & Brigitte Lauper Tisch	19,456	0.06
Jia Jian Luo	17,654	0.06
Sun Properties International Limited	17,000	0.05
Daniel Geoffrey Tisch	16,771	0.05
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	16,672	0.05
	<b>31,279,652</b>	<b>98.37</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 31,798,089.

## 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:

3.1.1(a) – Compliance with the Listing Rules	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.1.1(b) - Compliance with Takeover Provisions	9.2.1 – Material Transactions with Related Parties
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	10.3.2 - Preliminary Announcements
3.4 – Proceedings and Power of Directors	10.4.1(d) - Annual and Half-Year Reports availability
3.5 – Directors' Remuneration	10.4.2 - Half-Yearly reporting requirements
Section 4 - Takeover Provisions	10.6.1(a) - Other Administrative Information
7.1.11 – Minimum Subscription	11.1.5 - Transfer of Relevant Interests in Securities
7.3 – Issues of New Equity Securities	
7.4 – Entitlements to Third Party Securities	
7.5 – Issues and Buybacks of Securities Affecting Control	

# Australian Resources Index Trust (ASR)

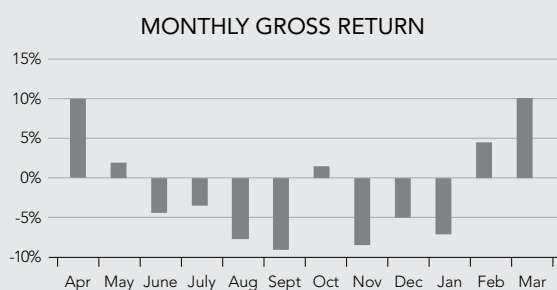
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the Australian Resources Index Trust

## Report to Unitholders

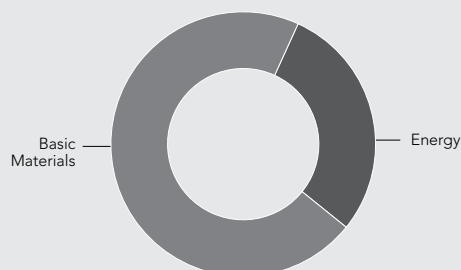
### HIGHLIGHTS

Launch Date 7-Apr-15

	March 2016
Net Tangible Assets (NTA)	\$2.772
Units On Issue	6,241,647
Funds Under Management	\$17,303,094
Gross Distribution since inception	\$0.0246
Gross Return since inception	-17.26%
Fees	0.54%
Distributions paid	Semi-annually



### HOLDINGS BY SECTOR



**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**

BNP Paribas Fund Services Australasia Pty Ltd

**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 Master Trust Deed dated 24 June 2014 (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 Australian Resources Index Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		1,406
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(4,618)
Foreign exchange gain		<u>3</u>
<b>Total investment income</b>		<b>(3,209)</b>
<b>EXPENSES</b>		
Management fee expense	7	101
Other expenses		<u>1</u>
<b>Total expenses</b>		<b>102</b>
<b>Loss before tax</b>		<b>(3,311)</b>
Income tax expense	1	<u>373</u>
<b>Total income tax expense</b>		<b>373</b>
<b>Loss after tax</b>		<b>(3,684)</b>
<b>Total comprehensive loss</b>		<b><u><u>(3,684)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(60.17)</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 S'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(3,684)</u>
<b>Total comprehensive loss for the period</b>		<b>(3,684)</b>
Subscriptions from Unitholders	6	21,071
Distributions to Unitholders	5	<u>(110)</u>
		<b>20,961</b>
<b>Unitholders' funds at the end of the period</b>		<u><u>17,277</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**

	Note	As at 31 March 2016 \$'000
<b>ASSETS</b>		
Cash and cash equivalents		363
Receivables		159
Investments in equity securities held at fair value	2	<u>17,035</u>
<b>TOTAL ASSETS</b>		<b><u><u>17,557</u></u></b>
<b>LIABILITIES</b>		
Management fees payable	7	8
Taxation payable		136
Distribution payable to Unitholders	5	110
Funds held for unit purchases		5
Other payables		<u>21</u>
<b>TOTAL LIABILITIES</b>		<b><u><u>280</u></u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>17,277</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u><u>17,557</u></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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	1,263
<i>Cash was applied to:</i>	
Management fees paid	(93)
Taxation paid	(230)
Other expenses	(1)
<b>Net cash flows from operating activities</b>	<b><u>939</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	2,045
<i>Cash was applied to:</i>	
Purchase of investments	(2,781)
<b>Net cash flows from investing activities</b>	<b><u>(736)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	160
<i>Cash was applied to:</i>	
Distribution paid to Unitholders	-
Distribution paid for dividend reinvestment	-
<b>Net cash flows from financing activities</b>	<b><u>160</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>363</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at the end of period</b>	<b><u>363</u></b>
<b>Reconciliation of loss after tax to net cash flows from operating activities</b>	
Loss after tax	(3,684)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	4,618
Net changes in foreign exchange	(3)
Increase in taxation payable	136
Increase in management fees payable	8
(Increase) in receivables	(136)
<b>Net cash provided by operating activities</b>	<b><u>939</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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The Australian Resources Index Trust (the 'Fund') is a for-profit unit trust established on 19 March 2015 in New Zealand under the Unit Trusts Act 1960. 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 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 7 April 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The fund is a passive investment fund that tracks the S&P/ASX 200 Resources 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 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 period presented.

**Comparative period**

These are the Fund's first set of financial statements and are for the period 7 April 2015 to 31 March 2016. There are no comparative figures.

**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 PERIOD 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 a portion of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax 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 foreign withholding tax 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 income from its Australian equity investments. For the period ended 31 March 2016, one equity investment contributed more than 10% of the Fund's dividend income. The total dividend income received from this equity investment amounted to \$990,000.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(373)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<u><u>(373)</u></u>

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>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Loss before tax	<u>(3,311)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>927</b>
Net changes in fair value of financial assets and financial liabilities	(1,293)
Non taxable income	6
Tax on securities subject to FDR	<u>(13)</u>
	<b>(373)</b>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<u><u>(373)</u></u>

	<b>As at 31 March 2016 \$'000</b>
<b>Imputation credit account (ICA)</b>	
Imputation credits available for use in subsequent periods	323

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

**2. INVESTMENT SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS**

		<b>As at Period ended 31 March 2016</b>	
	<b>Number of Shares '000</b>	<b>Fair Value AUD \$'000</b>	<b>Fair Value NZD \$'000</b>
<b>Underlying securities</b>			
Alumina Limited	220	287	318
Beach Energy Limited	128	84	93
BHP Billiton Limited	286	4,828	5,349
Bluescope Steel Limited	50	312	346
Caltex Australia Limited	24	820	908
Evolution Mining Limited	88	135	149
Fortescue Metals Group Limited	152	387	429
Iluka Resources Limited	37	245	271
Independence Group NL	36	103	114
Liquefied Natural Gas Limited	45	24	26
Newcrest Mining Limited	68	1,155	1,280
Northern Star Resources Ltd	54	184	204
Oil Search Limited	104	705	782
Origin Energy Limited	156	792	877
OZ Minerals Limited	28	141	157
Regis Resources Limited	44	107	119
Rio Tinto Limited	38	1,616	1,790
Sandfire Resources NL	14	79	88
Santos Limited	142	571	633
Sims Metal Management Limited	15	128	142
South 32 Limited	475	696	771
St Barbara Limited	44	87	96
Syrah Resources Limited	17	68	75
Western Areas Limited	19	41	46
Whitehaven Coal Limited	53	35	38
Woodside Petroleum Limited	63	1,641	1,818
WorleyParsons Limited	20	105	116
	<b>15,376</b>	<b>17,035</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 reporting date. The exchange rate used was 0.9026. The Fund was seeded with a non cash in specie transfer of shares valued at \$20,350,000 and a cash portion of \$60,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Ltd. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, the custodian of the Fund.

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

**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 period ended 31 March 2016.

**4. EARNINGS PER UNIT**

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

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

	<b>For the Period ended 31 March 2016 \$'000</b>
Loss after tax (\$'000)	(3,684)
Weighted average number of units ('000)	6,123
<b>Basic and diluted losses per unit (cents per unit)</b>	<b>(60.17)</b>

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	110
Distributed to Unitholders	-
<b>Closing distribution payable</b>	<b>110</b>

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

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS (Continued)**

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>Period ended 31 March 2016 \$'000</b>
March 2016 (paid April 2016)	1.77	110

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 6,242,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 6,242,000 for total value of \$21,071,000.

The number of units redeemed during the period ended 31 March 2016 was NIL for total value of \$NIL.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	6,242
<b>Units on issue at end of the period</b>	<b><u>6,242</u></b>

The net asset value of each unit per the financial statements is \$2.76786. 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 period.

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 the Fund and receives interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$101,000, with \$8,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$4,000.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 6,020,377 units valued at \$16,673,000 in the Fund. The Fund paid distributions of \$107,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$107,000.

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

**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.

<b>Financial instruments by category</b>	<b>As at 31 March 2016 \$'000</b>
<i>Loans and receivables</i>	
Cash and cash equivalents	363
Receivables	159
<i>Financial assets and financial liabilities at fair value through profit and loss</i>	
Investments in equity securities held at fair value	17,035
<i>Other financial liabilities</i>	
Management fees payable	8
Other payables	21
Funds held for unit purchases	5
Distributions payable to Unitholders	110

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 profit and Unitholder funds by \$1,704,000.

**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>
Cash and cash equivalents	363
Receivables	159



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 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/(loss) and Unitholders funds by \$1,726,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 Australian Resources Index Trust**

We have audited the accompanying financial statements of Australian Resources Index Trust ("the Fund") on pages 197 to 208. 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 period 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 197 to 208 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Australian Resources Index Trust as at 31 March 2016 and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of 'KPMG' in black ink, written in a cursive, slightly slanted style.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	19	40.43%	10,604	0.17%
1,001-5,000	20	42.55%	47,618	0.76%
5,001-10,000	3	6.38%	22,604	0.36%
10,001-50,000	2	4.26%	26,856	0.43%
50,001-100,000	2	4.26%	113,588	1.82%
Greater than 100,000	1	2.13%	6,020,377	96.45%
<b>TOTAL</b>	<b>47</b>	<b>100.00%</b>	<b>6,241,647</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	6,020,377	96.45
Craigs Investment Partners Limited	60,276	0.97
David Georges Andre Dromer	53,312	0.85
Shaoming Yu	14,484	0.23
Roger Alan Johnston & Jeanette Johnston & Gellert Ivanson Trustee No 3 Limited	12,372	0.20
Billy Cheung Services Limited	8,824	0.14
Andre Willem Van Zyl & Lorraine Mercedes Marais	8,047	0.13
Daniel Geoffrey Tisch	5,733	0.09
Michael John Lamb & Harriet Madeline Lamb	4,198	0.07
Moxon Trustee Company Ltd	4,023	0.06
Wallace John Semmens & Rose Agnes Semmens & Ernest William Gartrell	4,023	0.06
Franick Holdings Limited	3,963	0.06
Clive Andrew Higgins & Elizabeth Mary Fitton Higgins	3,340	0.05
Diana Mary Clement	3,313	0.05
Peter Bruce Wynne & Clare Maree Wynne	2,917	0.05
William Andrew Reinders	2,914	0.05
GUY Mulinder	2,214	0.04
Christopher Wayne Mccarthy	2,057	0.03
Elizabeth Anne Darney	2,011	0.03
Michael Dries Nightingale	2,000	0.03
	<b>6,220,398</b>	<b>99.64</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 6,241,647.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	1,009*	0
Tim Bennett (appointed 27 August 2013)	2,586*	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	9.1.1 – Disposition or Acquisition of Assets
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# Australian Financials Index Trust (ASF)

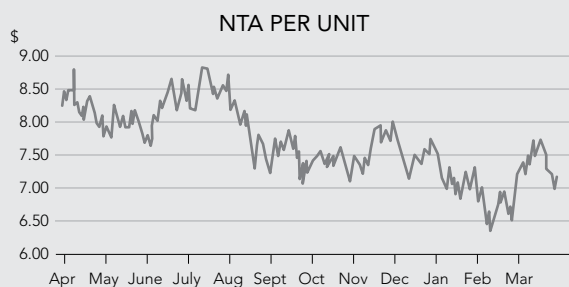
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the Australian Financials Index Trust

## Report to Unitholders

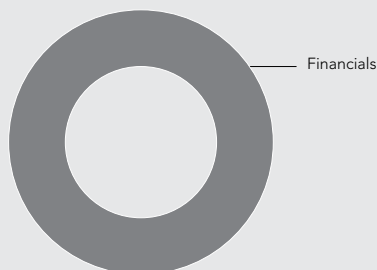
### HIGHLIGHTS

Launch Date 7-Apr-15

	March 2016
Net Tangible Assets (NTA)	\$7.233
Units On Issue	2,762,352
Funds Under Management	\$19,980,921
Gross Distribution since inception	\$0.2962
Gross Return since inception	-10.00%
Fees	0.54%
Distributions paid	Quarterly



### HOLDINGS BY SECTOR



**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**

BNP Paribas Fund Services Australasia Pty Ltd

**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 Master Trust Deed dated 24 June 2014 (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 Australian Financials Index Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		1,265
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(3,404)
Foreign exchange gain		<u>14</u>
<b>Total investment income</b>		<b>(2,125)</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>113</u>
<b>Total expenses</b>		<b>113</b>
<b>Loss before tax</b>		<b>(2,238)</b>
Income tax expense	1	<u>291</u>
<b>Total income tax expense</b>		<b>291</b>
<b>Loss after tax</b>		<b>(2,529)</b>
<b>Total comprehensive (loss)</b>		<b><u><u>(2,529)</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted losses per unit (cents per unit)</b>	4	<b><u><u>(92.54)</u></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 PERIOD ENDED 31 MARCH 2016**

		For the Period ended 31 March 2016 S'000
<b>Unitholders' funds at beginning of the period</b>		-
Loss after tax		<u>(2,529)</u>
<b>Total comprehensive (loss) for the period</b>		<b>(2,529)</b>
Subscriptions from Unitholders	6	23,086
Distributions to Unitholders	5	<u>(606)</u>
		<b>22,480</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>19,951</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**

	Note	As at 31 March 2016 \$'000
<b>ASSETS</b>		
Cash and cash equivalents		556
Receivables		51
Investments in equity securities held at fair value through profit or loss	2	<u>19,719</u>
<b>TOTAL ASSETS</b>		<b><u><u>20,326</u></u></b>
<b>LIABILITIES</b>		
Management fees payable	7	9
Taxation payable		130
Distribution payable to Unitholders	5	231
Funds held for unit purchases		<u>5</u>
<b>TOTAL LIABILITIES</b>		<b><u><u>375</u></u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u><u>19,951</u></u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u><u>20,326</u></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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	1,214
<i>Cash was applied to:</i>	
Management fees paid	(104)
Taxation paid	<u>(161)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>949</u></u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	1,931
<i>Cash was applied to:</i>	
Purchase of investments	<u>(2,084)</u>
<b>Net cash flows from investing activities</b>	<b><u><u>(153)</u></u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	135
<i>Cash was applied to:</i>	
Distribution paid to Unitholders	(371)
Distribution paid for dividend reinvestment	<u>(4)</u>
<b>Net cash flows from financing activities</b>	<b><u><u>(240)</u></u></b>
<b>Net increase in cash and cash equivalents</b>	<b>556</b>
Cash and cash equivalents at beginning of period	<u>-</u>
<b>Cash and cash equivalents at the end of period</b>	<b><u><u>556</u></u></b>
<b>Reconciliation of loss after tax to net cash flows from operating activities</b>	
Loss after tax	(2,529)
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	3,404
Net changes in foreign exchange	(14)
Increase in taxation payable	130
Increase in management fees payable	9
(Increase) in receivables	<u>(51)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>949</u></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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The Australian Financials Index Trust (the 'Fund') is a for-profit unit trust established on 19 March 2015 in New Zealand under the Unit Trusts Act 1960. 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 7 April 2015.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager'). The fund is a passive investment fund that tracks the S&P/ASX 200 Financials Ex-A-REIT 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 period presented.

**Comparative period**

These are the Fund's first set of financial statements and are for the period 7 April 2015 to 31 March 2016. There are no comparative figures.

**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 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 PERIOD 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 at the unitholder's option at prices 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 quarterly 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, June, September and December 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. For a portion 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.

**Segment information**

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all its income from its Australian equity investments. For the period ended 31 March 2016, four equity investments individually contributed 10% or more of the Fund's dividend income. The individual dividend income received from these four equity investments amounted to \$195,000, \$271,000, \$289,000 and \$226,000.

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

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(291)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(291)</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:

	<b>For the Period ended 31 March 2016 S'000</b>
<b>Income tax expense</b>	
Loss before tax	<u>(2,238)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>627</b>
Net changes in fair value of financial assets and financial liabilities	(953)
Non taxable income	5
Tax on securities subject to FDR	(7)
Gross up of imputation credits	<u>(15)</u>
	<b>(343)</b>
Add imputation credits and other tax credits	<u>52</u>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(291)</u></b>
<b>Imputation credit account (ICA)</b>	
	<b>As at 31 March 2016 S'000</b>
Imputation credits available for use in subsequent periods	136

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

**2. INVESTMENT SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS**

		<b>As at 31 March 2016</b>	
	<b>Number of Shares</b>	<b>Fair Value AUD \$'000</b>	<b>Fair Value NZD \$'000</b>
<b>Underlying securities</b>			
AMP Limited	104	600	665
ASX Limited	7	281	311
Australia and New Zealand Banking Group Limited	102	2,399	2,658
Aveo Group	14	47	52
Bank of Queensland Limited	13	160	177
Bendigo and Adelaide Bank Limited	16	139	154
BT Investment Management Limited	6	56	62
Challenger Limited	20	166	184
Commonwealth Bank Australia	60	4,484	4,968
Cover-More Group Limited	11	17	19
CYBG Plc	23	91	101
FlexiGroup Limited	10	24	26
Genworth Mortgage Insurance Australia Limited	10	25	28
Henderson Group PLC	21	103	114
Insurance Australia Group Limited	85	476	527
Ioof Holdings Limited	9	82	91
Lend Lease Group	19	258	286
Macquarie Group Limited	12	788	873
Magellan Financial Group Limited	5	103	115
Medibank Private Limited	97	283	313
National Australia Bank Limited	92	2,425	2,687
OzForex Group Limited	8	17	19
Perpetual Limited	2	72	80
Platinum Asset Management Limited	8	48	53
QBE Insurance Group Limited	48	522	578
Steadfast Group Limited	26	46	51
Suncorp Group Limited	45	537	595
Westpac Banking Corporation	117	<u>3,548</u>	<u>3,932</u>
		<u><b>17,797</b></u>	<u><b>19,719</b></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. The Fund was seeded with a non cash in specie transfer of shares valued at \$22,029,000 and a cash portion of \$50,000 from SuperLife superannuation scheme.

The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Ltd. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, the Custodian of the Fund.



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

**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 period ended 31 March 2016.

**4. EARNINGS PER UNIT**

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

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

	<b>For the Period ended 31 March 2016</b>
Loss after tax (\$'000)	(2,529)
Weighted average number of units ('000)	<u>2,733</u>
<b>Basic and diluted losses per unit (cents per unit)</b>	<b><u>(92.54)</u></b>

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	606
Distributed to Unitholders	<u>(375)</u>
<b>Closing distribution payable</b>	<b><u>231</u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>For the Period ended 31 March 2016 \$'000</b>
September 2015 (paid October 2015)	8.22	225
December 2015 (paid January 2016)	5.49	<u>150</u>
		<b><u>375</u></b>
<b>Dividends declared and not paid</b>		
March 2016 (paid April 2016)	8.36	231

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

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 2,762,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 2,762,000 for total value of \$23,086,000.

The number of units redeemed during the period ended 31 March 2016 was NIL for total value of \$NIL.

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	2,762
<b>Units on issue at end of the period</b>	<b><u>2,762</u></b>

The net asset value of each unit per the financial statements is \$7.22339. 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 period.

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 the Fund and receives interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$113,000, with \$9,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$6,000.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 2,703,759 units valued at \$19,538,000 in the Fund. The Fund paid distributions of \$597,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$226,000.

**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 PERIOD ENDED 31 MARCH 2016**

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

<b>Financial instruments by category</b>	<b>As at 31 March 2016 \$'000</b>
<i><u>Loans and receivables</u></i>	
Cash and cash equivalents	556
Receivables	51
<i><u>Financial assets and financial liabilities at fair value through profit and loss</u></i>	
Investments in equity securities held at fair value through profit or loss	19,719
<i><u>Other financial liabilities</u></i>	
Management fees payable	9
Funds held for unit purchases	5
Distributions payable to Unitholders	231

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 profit and Unitholder funds by \$1,972,000.

**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 receivables.

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

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

	<b>As at 31 March 2016 \$'000</b>
Cash and cash equivalents	556
Receivables	51

**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 PERIOD 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 the decreased/increased profit and Unitholders funds by \$1,977,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 Australian Financials Index Trust**

We have audited the accompanying financial statements of Australian Financials Index Trust ("the Fund") on pages 215 to 227. 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 period 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 215 to 227 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Australian Financials Index Trust as at 31 March 2016 and its financial performance and cash flows for the period 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, appearing as 'KPMG' in a stylized, cursive font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	23	52.27%	7,772	0.28%
1,001-5,000	16	36.36%	33,291	1.21%
5,001-10,000	4	9.09%	27,530	1.00%
10,001-50,000	0	0.00%	-	0.00%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	2.27%	2,693,759	97.52
<b>TOTAL</b>	<b>44</b>	<b>100.00%</b>	<b>2,762,352</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	2,693,759	97.52
George Heatherwick Findlay	8,413	0.30
Craigs Investment Partners Limited	7,218	0.26
Gert Franz Johannes Starker & Elma Starker	6,828	0.25
David Georges Andre Dromer	5,071	0.18
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	4,076	0.15
Billy Cheung Services Limited	3,639	0.13
World Holdings Nominees Limited	3,033	0.11
Bruce Robert Benseman	2,574	0.09
Daniel Tisch & Brigitte Lauper Tisch	2,429	0.09
Flaw Too 1 Limited	2,416	0.09
Peter Andrew Metcalfe & Janis Doreen Metcalfe	2,226	0.08
David Neilson Hay & Rebecca Barbara Hay & Wyndham Trustees Limited	2,095	0.08
John Martindale Speechly	2,022	0.07
Jasper GUY Watson	1,572	0.06
Clive Andrew Higgins & Elizabeth Mary Fitton Higgins	1,378	0.05
John Douglas Phillips & Sara Maragret Phillips	1,354	0.05
Matthew Milton Porteous	1,235	0.04
Judith Moana Osborne	1,204	0.04
Franick Holdings Limited	1,028	0.04
	<b>2,753,570</b>	<b>99.68</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 2,762,352.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	458*	0
Tim Bennett (appointed 27 August 2013)	1,175*	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:

3.1.1(a) – Compliance with the Listing Rules	9.1.1 – Disposition or Acquisition of Assets
3.1.1(b) - Compliance with Takeover Provisions	9.2.1 – Material Transactions with Related Parties
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	10.3.2 - Preliminary Announcements
3.4 – Proceedings and Powers of Directors	10.4.1(d) - Annual and Half-Year Reports availability
3.5 – Directors' Remuneration	10.4.2 - Half-Yearly reporting requirements
Section 4 - Takeover Provisions	10.6.1(a) - Other Administrative Information
7.1.11 – Minimum Subscription	11.1.5 - Transfer of Relevant Interests in Securities
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	

# Australian Dividend Index Trust (ASD)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Presented by Smartshares Limited, Manager of the Australian Dividend Index Trust

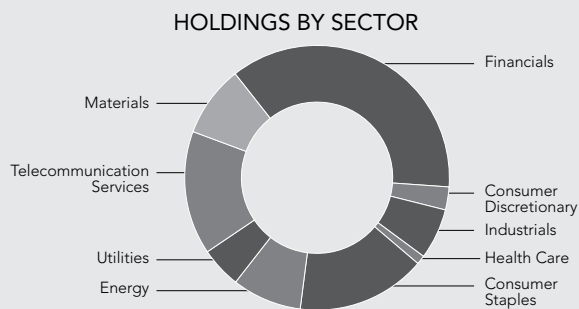
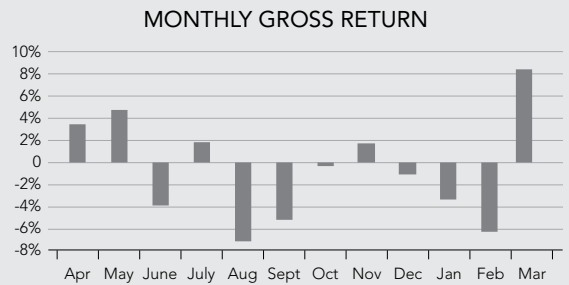
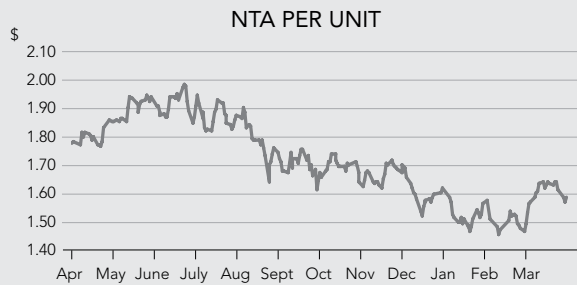
## Report to Unitholders

### HIGHLIGHTS

Launch Date 16-Dec-14

	March 2016	March 2015
Net Tangible Assets (NTA)	\$1.587	\$1.793
Units On Issue	38,540,493	27,165,493
Funds Under Management	\$61,165,304	\$48,705,284
Full Year Gross Distribution	\$0.070	\$-*
Gross Return	-7.82%	9.18%*
Fees	0.54%	0.54%
Distributions paid	Quarterly	

\* Since inception (16 December 2014)





## 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 Australia Pty Ltd

### 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 July 2015)  
Paul R. S. Hocking  
Peter A. Metz  
Robert P. Russell  
David R. Neidhart (appointed 29 Sept 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 and the Investment 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 Master Trust Deed dated 24 June 2014 (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 Australian Dividend Index Trust 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 24 June 2014.

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**

	Note	For the Year ended 31 March 2016 \$'000	For the Period ended 31 March 2015 \$'000
<b>INCOME</b>			
Dividend income		3,062	1,108
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(6,639)	3,561
Foreign exchange gain		<u>3</u>	<u>-</u>
<b>Total investment (loss)/income</b>		<b>(3,574)</b>	<b>4,669</b>
<b>EXPENSES</b>			
Management fee expense	7	289	95
Foreign exchange loss		<u>-</u>	<u>150</u>
<b>Total expenses</b>		<b>289</b>	<b>245</b>
<b>(Loss)/profit before tax</b>		<b>(3,863)</b>	<b>4,424</b>
Income tax expense		<u>705</u>	<u>274</u>
<b>Total income tax expense</b>	1	<b>705</b>	<b>274</b>
<b>(Loss)/profit after tax</b>		<b><u>(4,568)</u></b>	<b><u>4,150</u></b>
<b>EARNINGS PER UNIT</b>			
<b>Basic and diluted (losses)/earnings per unit (cents per unit)</b>	4	<b><u>(14.41)</u></b>	<b><u>12.51</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**

		<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Period ended 31 March 2015 \$'000</b>
<b>Unitholders' funds at beginning of the year/period</b>		<b>48,150</b>	<b>-</b>
(Loss)/profit after tax		<u>(4,568)</u>	<u>4,150</u>
<b>Total comprehensive (loss)/income for the year/period</b>		<b>(4,568)</b>	<b>4,150</b>
Subscriptions from Unitholders	6	18,491	59,621
Redemptions by Unitholders	6	-	(14,971)
Distributions to Unitholders	5	<u>(1,007)</u>	<u>(650)</u>
		<b>17,484</b>	<b>44,000</b>
<b>Unitholders' funds at the end of the year/period</b>		<b><u>61,066</u></b>	<b><u>48,150</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 31 March 2016 \$'000	As at 31 March 2015 \$'000
<b>ASSETS</b>			
Cash and cash equivalents		733	450
Receivables		808	513
Investment securities designated as fair value through profit or loss	2	60,083	48,138
<b>TOTAL ASSETS</b>		<b>61,624</b>	<b>49,101</b>
<b>LIABILITIES</b>			
Management fees payable	7	28	27
Taxation payable		319	177
Funds held for unit purchases		13	97
Distribution payable to unitholders	5	198	650
<b>TOTAL LIABILITIES</b>		<b>558</b>	<b>951</b>
<b>UNITHOLDERS' FUNDS</b>		<b>61,066</b>	<b>48,150</b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b>61,624</b>	<b>49,101</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**

	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Period ended 31 March 2015 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Dividend income received	2,748	595
<i>Cash was applied to:</i>		
Management fees paid	(288)	(68)
Taxation paid	(544)	(97)
<b>Net cash flows from operating activities</b>	<b><u>1,916</u></b>	<b><u>430</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Sale of investments	42,502	54,554
<i>Cash was applied to:</i>		
Purchase of investments	(43,393)	(54,582)
<b>Net cash flows from investing activities</b>	<b><u>(891)</u></b>	<b><u>(28)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions received from Unitholders	715	198
<i>Cash was applied to:</i>		
Distribution paid for dividend reinvestment	(39)	-
Distribution paid to Unitholders	(1,420)	-
<b>Net cash flows from financing activities</b>	<b><u>(744)</u></b>	<b><u>198</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>281</b>	<b>600</b>
Cash and cash equivalents at beginning of year/period	450	-
Effect of exchange rate fluctuations on cash and cash equivalents	2	(150)
<b>Cash and cash equivalents at the end of year/period</b>	<b><u>733</u></b>	<b><u>450</u></b>
<b>Reconciliation of (loss)/profit after tax to net cash provided by operating activities</b>		
(Loss)/profit after tax	(4,568)	4,150
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6,639	(3,561)
Net changes in foreign exchange	(3)	150
(Increase) in receivable	(295)	(513)
Increase in taxation payable	142	177
Increase in payables	1	27
<b>Net cash flows from operating activities</b>	<b><u>1,916</u></b>	<b><u>430</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 Australian Dividend Index Trust (the 'Fund') is a for-profit Unit trust established on 1 December 2014 in New Zealand under the Unit Trusts Act 1960. 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 dividends received from the investments less expenses paid. All changes in the value of investments, both realised and unrealised, are recorded in the Statement of Comprehensive Income.

The Fund is governed by a Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 16 December 2014.

The Fund's investment activities are managed by Smartshares Limited (the 'Manager') a wholly owned subsidiary of NZX Limited. The Fund is a passive investment fund that tracks the S&P/ASX Dividend Opportunities Index (the 'Index'). As prescribed by the Trust Deed, the Fund 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 ASX 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.

**Comparative period**

Comparative figures for the period ended 31 March 2015 are for the period of 16 December 2014 to 31 March 2015.

**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 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 to Unitholders are currently made on a quarterly 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, June, September and December 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 some 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 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 investment management, investing in Australian equities. The Fund received all its income from its Australian equity investments. Dividend income was received during the year from two equity investments that individually contributed 10% or more of the Fund's dividend income. The dividend income received from these equity investments was \$323,000 and \$309,000 (31 March 2015: NIL equity investments; \$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**

	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Period ended 31 March 2015 \$'000</b>
<b>Tax expense comprises:</b>		
Current tax expense	(705)	(274)
Prior period adjustment	-	-
Deferred tax movement	<u>-</u>	<u>-</u>
<b>Total tax expense</b>	<b><u>(705)</u></b>	<b><u>(274)</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 Period ended 31 March 2015 \$'000</b>
(Loss)/profit before tax	<u>(3,863)</u>	<u>4,424</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>1,082</b>	<b>(1,239)</b>
Net changes in fair value of financial assets and financial liabilities	(1,859)	961
Non taxable income	40	14
Tax on securities subject to FDR	(45)	(10)
Gross up of imputation credits	<u>(31)</u>	<u>-</u>
	<b>(813)</b>	<b>(274)</b>
Add imputation credits and other tax credits	<u>108</u>	<u>-</u>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(705)</u></b>	<b><u>(274)</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	491	87

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

**2. INVESTMENT SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS**

	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>						
Adelaide Brighton Ltd	38	192	212	484	2,190	2,231
AGL Energy Ltd	53	968	1,073	26	392	399
APA Group	81	717	794	46	417	425
Asciano Ltd	-	-	-	58	372	378
ALS Ltd	-	-	-	331	1,641	1,672
Amcor Ltd	-	-	-	26	364	371
AMP Ltd	103	598	663	64	409	417
Ansell Ltd	-	-	-	16	430	438
ANZ Banking Group Ltd	156	3,660	4,055	11	402	410
ASX Ltd	7	270	299	10	395	403
Aurizon Holdings Ltd	-	-	-	76	370	377
Bendigo and Adelaide Bank Ltd	20	175	194	27	342	348
BHP Billiton Ltd	-	-	-	62	1,921	1,957
Brambles Ltd	-	-	-	33	384	391
Commonwealth Bank of Australia	64	4,807	5,326	4	381	388
Coca Cola Amatil Ltd	-	-	-	191	2,055	2,094
Challenger Ltd	15	128	142	55	395	402
Cochlear Ltd	-	-	-	4	402	408
Computershare Ltd	-	-	-	30	381	388
CSL Ltd	-	-	-	4	372	379
Flight Centre Travel Group Ltd	5	216	239	52	2,063	2,102
Fortesue Metals Group Ltd	-	-	-	635	1,245	1,268
Insurance Australia Group Ltd	99	551	610	280	1,710	1,742
IOOF Holdings Ltd	12	107	118	40	408	416
Incitec Pivot Ltd	-	-	-	101	413	421
James Hardie Industries PLC	-	-	-	27	408	415
JB Hi-Fi Ltd	9	208	231	111	2,063	2,101
Lend Lease Group	11	159	176	21	355	362
Macquarie Group Ltd	10	639	708	6	464	473
Metcash Ltd	-	-	-	1,068	1,655	1,686
National Australia Bank Ltd	136	3,565	3,950	52	2,008	2,046
Origin Energy Ltd	-	-	-	31	354	361
Orica Ltd	45	690	764	94	1,890	1,925
Platinum Asset Management Ltd	9	55	61	49	386	393
Ramsay Health Care	-	-	-	6	411	419
Rio Tinto Ltd	73	3,109	3,444	6	348	354
Seek Ltd	-	-	-	20	345	351
Sonic Healthcare Ltd	31	588	652	19	384	391
Santos Ltd	-	-	-	234	1,668	1,700
Suncorp Group Ltd	61	721	799	25	339	346
Sydney Airport Ltd	133	890	986	72	373	380

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

**2. INVESTMENT SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (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>						
Tatts Group Ltd	-	-	-	101	400	408
Telstra Corporation Ltd	984	5,247	5,813	393	1,846	1,880
Toll Holdings Ltd	-	-	-	296	2,618	2,667
Transurban Ltd	136	1,539	1,705	40	383	390
Westpac Banking Group	144	4,370	4,842	43	1,678	1,709
Wesfarmers Ltd	122	5,061	5,607	42	1,846	1,881
Worleyparsons Ltd	-	-	-	189	1,801	1,835
Woolworths Ltd	163	3,602	3,991	58	1,714	1,746
Woodside Petroleum Ltd	168	4,357	4,827	48	1,663	1,694
Automotive Holdings Group Limited	25	104	115	-	-	-
Ausnet Services Ltd	201	300	332	-	-	-
Bank of Queensland Limited	15	186	206	-	-	-
Cimic Group Limited	9	322	357	-	-	-
Downer EDI Ltd	74	286	317	-	-	-
FlexiGroup Limited	12	31	34	-	-	-
G8 Education Ltd	56	213	236	-	-	-
Navitas Limited	29	148	164	-	-	-
McMillan Shakespeare Limited	7	88	97	-	-	-
Perpetual Limited	2	87	96	-	-	-
Retail Food Group Limited	15	78	86	-	-	-
Spotless Group Holdings Limited	161	203	224	-	-	-
Spark New Zealand Limited	940	3,094	3,428	-	-	-
Super Retail Group Limited	12	102	113	-	-	-
Seven Group Holdings Ltd	16	87	96	-	-	-
Fairfax Media Limited	221	190	211	-	-	-
Ardent Leisure Group	41	94	104	-	-	-
Duet Group	237	540	598	-	-	-
Spark Infrastructure Trust	146	302	335	-	-	-
Harvey Norman Hldgs Ltd	61	285	316	-	-	-
Genworth Mortgage Insurance Australia Limited	23	58	64	-	-	-
CSR Ltd	75	246	273	-	-	-
	<u>75</u>	<u>246</u>	<u>273</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>54,233</u>	<u>60,083</u>		<u>47,254</u>	<u>48,138</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 exchange rate used in March 2016 was \$0.9026 (March 2015: \$0.9816). The investments are registered in the name of BNP Paribas Fund Services Australia Pty Ltd, New Zealand branch, the Custodian of the Fund.

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

**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.

**4. EARNINGS PER UNIT**

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

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

	<b>For the Year ended 31 March 2016</b>	<b>For the Period ended 31 March 2015</b>
(Loss)/profit after tax (\$'000)	(4,568)	4,150
Weighted average number of units ('000)	<u>31,707</u>	<u>33,165</u>
<b>Basic and diluted (losses)/earnings per unit (cents per unit)</b>	<b><u>(14.41)</u></b>	<b><u>12.51</u></b>

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Opening distributions payable	650	-
Distribution accrued to Unitholders	1,007	650
Distributed to Unitholders	<u>(1,459)</u>	<u>-</u>
<b>Closing distribution payable</b>	<b><u>198</u></b>	<b><u>650</u></b>

**Distribution declared and paid**

	<b>Year ended</b>	<b>Dividend per unit (cents per unit)</b>	<b>For the Year ended 31 March 2016 \$'000</b>	<b>For the Period ended 31 March 2015 \$'000</b>
June 2015 (paid July 2015)	31/03/2016	1.88	526	-
September 2015 (paid October 2015)	31/03/2016	0.27	75	-
December 2015 (paid January 2016)	31/03/2016	2.57	<u>858</u>	<u>-</u>
			<b><u>1,459</u></b>	<b><u>-</u></b>
<b>Dividends declared and not paid</b>				
March 2016 (paid April 2016)	31/03/2016	0.51	198	-

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

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 38,540,000 units on issue (March 2015: 27,165,000).

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 11,375,000 (March 2015: 35,415,000) for total value of \$18,491,000 (March 2015: \$59,621,000).

The number of units redeemed during the year ended 31 March 2016 was NIL (March 2015: 8,250,000) for total value of \$NIL (March 2015: \$14,971,000).

	<b>For the Year ended 31 March 2016 '000</b>	<b>For the Period ended 31 March 2015 '000</b>
<b>Movement in the number of units</b>		
Balance at beginning of the year/period	27,165	-
Subscriptions received during the year/period	11,375	35,415
Redemptions made during the year/period	-	(8,250)
<b>Units on issue at end of the year/period</b>	<b><u>38,540</u></b>	<b><u>27,165</u></b>

The net asset value of each unit per the financial statements is \$1.58448 (March 2015: \$1.77249). 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 Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Audit charges in respect 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 \$924 (March 2015: \$NIL).

The total interest earned on cash at call for the year ended 31 March 2016 amounted to \$17,000 (March 2015: \$1,000).

Total gross management fees for the year ended 31 March 2016 amounted to \$289,000 (March 2015: \$95,000), with \$28,000 (March 2015: \$27,000) of outstanding accrued management fees due to the Manager at the end of the year.

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2016 was \$4,000 (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 37,032,089 units (March 2015: 26,665,493) valued at \$58,713,000 (March 2015: \$47,761,000) in the Fund. The Fund paid distributions of \$1,596,000 (March 2015: \$NIL) to SuperLife superannuation scheme. Of the balance, total remaining as payable at the end of the year is \$190,000 (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)**

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<u><i>Loans and receivables</i></u>		
Cash and cash equivalents	733	450
Receivables	808	513
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>		
Investments in equity securities held at fair value	60,083	48,138
<u><i>Other financial liabilities</i></u>		
Management fees payable	28	27
Funds held for unit purchases	13	97
Distributions payable to unitholders	198	650

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 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 \$6,008,000 (March 2015: \$4,814,000).

**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 receivables.

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

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

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	733	450
Receivables	808	513

**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 the decreased/increased profit and Unitholders funds by \$6,083,000 (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)**

	<b>As at 31 March 2016 \$'000</b>	<b>As at 31 March 2015 \$'000</b>
Cash and cash equivalents	(6)	8
Receivables	81	51
Investment securities designated as fair value	6,008	4,814

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies at 31 March 2016 (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 Australian Dividend Index Trust**

We have audited the accompanying financial statements of Australian Dividend Index Trust ("the Fund") on pages 234 to 247. 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 234 to 247 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Australian Dividend Index Trust 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 'KPMG' in black ink, written in a cursive, stylized font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	44	25.29%	21,329	0.06%
1,001-5,000	67	38.51%	165,262	0.43%
5,001-10,000	28	16.09%	186,268	0.48%
10,001-50,000	31	17.82%	593,417	1.54%
50,001-100,000	0	0%	-	0%
Greater than 100,000	4	2.30%	37,574,217	97.49%
<b>TOTAL</b>	<b>174</b>	<b>100.00%</b>	<b>38,540,493</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	37,032,089	96.09
FNZ Custodians Limited	260,445	0.68
Philippa Jane Stubbins & Comac Trustee Limited	154,359	0.40
David Georges Andre Dromer	127,324	0.33
David John Fellowes & Jill Fellowes	41,879	0.11
Roger Alan Dodds	41,756	0.11
Thierry Adam	33,654	0.09
Anthony Neil Hooks & Jillian Jeanette Hooks	32,302	0.08
Mark John Scott Mckearney	27,949	0.07
Michael Paul Mcgrath & Carol Ann Mcgrath & Anthony Derek Watts	27,759	0.07
Matthew Norman Clarke	27,131	0.07
Roger William Styles	22,714	0.06
Kirsteen Margaret Pitkin Douglas	22,464	0.06
Billy Cheung Services Limited	22,257	0.06
Severne Holdings Limited	22,000	0.06
Catherine Linda Styles	17,552	0.05
William Terry Gavin & Claire Christine Gavin	17,110	0.04
ASB Nominees Limited	16,875	0.04
Simon Thomas Dennis Ritchie	16,478	0.04
Tracy Barbara Olberg	16,050	0.04
	<b>37,980,147</b>	<b>98.55</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 38,540,493.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	6,264*	0
Tim Bennett (appointed 27 August 2013)	16,059*	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:

3.1.1(a) – Compliance with the Listing Rules	9.2.1 – Material Transactions with Related Parties
3.1.1(b) - Compliance with Takeover Provisions	10.3.2 - Preliminary Announcements
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	10.4.1(d) - Annual and Half-Year Reports availability
3.4 – Proceedings and Powers of Directors	10.4.2 - Half-Yearly reporting requirements
3.5 – Directors' Remuneration	10.6.1(a) - Other Administrative Information
Section 4 - Takeover Provisions	11.1.5 - Transfer of Relevant Interests in Securities
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	

# New Zealand Dividend Index Trust (DIV)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

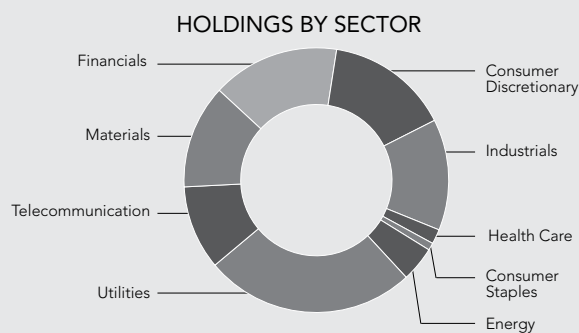
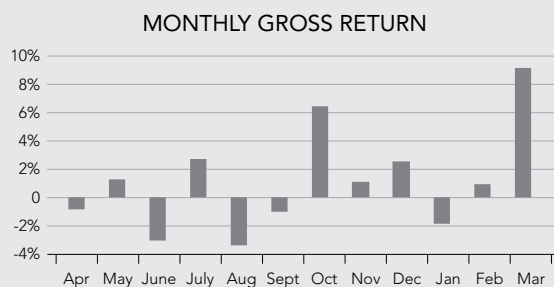
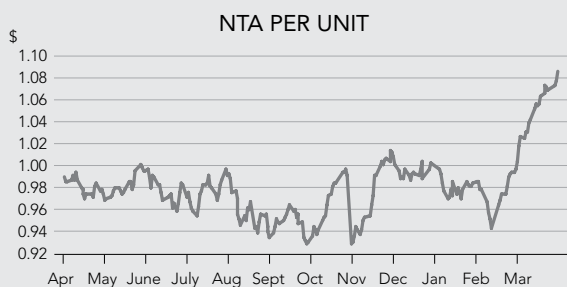
Presented by Smartshares Limited, Manager of the New Zealand Dividend Index Trust

## Report to Unitholders

### HIGHLIGHTS

Launch Date 7-Apr-15

	March 2016
Net Tangible Assets (NTA)	\$1.092
Units On Issue	22,712,302
Funds Under Management	\$24,805,468
Gross Distribution since inception	\$0.045
Gross Return since inception	14.61%
Fees	0.54%
Distributions paid	Quarterly



## 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

## 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 Master Trust Deed dated 24 June 2014 (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 New Zealand Dividend Index Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	Note	For the Period ended 31 March 2016 \$'000
<b>INCOME</b>		
Dividend income		1,358
Securities lending income		15
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>1,683</u>
<b>Total investment income</b>		<b>3,056</b>
<b>EXPENSES</b>		
Management fee expense	7	<u>112</u>
<b>Total expenses</b>		<b>112</b>
<b>Profit before tax</b>		<b>2,944</b>
Income tax expense	1	<u>64</u>
<b>Total income tax expense</b>		<b>64</b>
<b>Profit after tax</b>		<b>2,880</b>
<b>Total comprehensive income</b>		<b><u><u>2,880</u></u></b>
<b>EARNINGS PER UNIT</b>		
Basic and diluted earnings per unit (cents per unit)	4	<b><u><u>13.48</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 \$'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Profit after tax		<u>2,880</u>
<b>Total comprehensive income for the period</b>		<b>2,880</b>
Subscriptions from Unitholders	6	22,660
Distributions to Unitholders	5	<u>(734)</u>
		<b>21,926</b>
<b>Unitholders' funds at the end of the period</b>		<b><u><u>24,806</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**

	<b>Note</b>	<b>As at 31 March 2016 S'000</b>
<b>ASSETS</b>		
Cash and cash equivalents		334
Receivables		302
Investments in equity securities held at fair value	2	<u>24,262</u>
<b>TOTAL ASSETS</b>		<b><u><u>24,898</u></u></b>
<b>LIABILITIES</b>		
Management fees payable	7	11
Taxation payable		34
Funds held for unit purchases		<u>47</u>
<b>TOTAL LIABILITIES</b>		<b><u><u>92</u></u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u><u>24,806</u></u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u><u>24,898</u></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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	1,057
Securities lending income received	14
<i>Cash was applied to:</i>	
Management fees paid	(101)
Taxation paid	(30)
<b>Net cash flows from operating activities</b>	<b><u>940</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	6,096
<i>Cash was applied to:</i>	
Purchase of investments	(7,011)
<b>Net cash flows from investing activities</b>	<b><u>(915)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	1,043
<i>Cash was applied to:</i>	
Distribution paid to Unitholders	(694)
Distribution paid for dividend reinvestment	(40)
<b>Net cash flows from financing activities</b>	<b><u>309</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>334</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at the end of period</b>	<b><u>334</u></b>
<b>Reconciliation of profit after tax to net cash flows from operating activities</b>	
Profit after tax	2,880
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(1,683)
Increase in taxation payable	34
Increase in management fees payable	11
(Increase) in receivables	(302)
<b>Net cash flows from operating activities</b>	<b><u>940</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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The New Zealand Dividend Index Trust (the 'Fund') is a for-profit unit trust established on 19 March 2015 in New Zealand under the Unit Trusts Act 1960. 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, security lending income 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 is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 7 April 2015.

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 50 High Dividend 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 period presented.

**Comparative period**

These are the Fund's first set of financial statements and are for the period 7 April 2015 to 31 March 2016. There are no comparative figures.

**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 PERIOD 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 quarterly 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, June, September and December 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.

**Segment information**

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all its income from its New Zealand equity investments. For the period ended 31 March 2016, three equity investments individually contributed 10% or more of the Fund's dividend income. The individual dividend income received from these three equity investments amounted to \$156,000, \$147,000 and \$167,000.

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

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(64)
Prior period adjustment	-
Deferred tax movement	-
<b>Total tax expense</b>	<b><u>(64)</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:

	<b>For the Period ended 31 March 2016 S'000</b>
<b>Income tax expense</b>	
Profit before tax	<u>2,944</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>(824)</b>
Net changes in fair value of financial assets and financial liabilities	471
Non taxable income	16
Gross up of imputation credits	<u>(106)</u>
	<b>(443)</b>
Add imputation credits and other tax credits	<u>379</u>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>(64)</u></b>

**Imputation credit account (ICA)**

	<b>As at 31 March 2016 S'000</b>
Imputation credits available for use in subsequent periods	211

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

**2. INVESTMENT SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>As at 31 March 2016</b>
	<b>Number of Shares '000</b>
	<b>Fair Value NZD \$'000</b>
<b>Underlying Securities</b>	
Auckland International Airport Limited	278
Air New Zealand Limited	334
Australia and New Zealand Banking Group Limited	12
Argosy Property Limited	426
Auckland International Airport Limited	289
Ebos Group Limited	27
Fletcher Building Limited	314
Freightways Limited	71
Fonterra Shareholders Fund	38
Genesis Energy Limited	463
Goodman Property Trust	534
Heartland New Zealand Limited	300
Infratil Limited	271
Kiwi Income Property Group Limited	584
Meridian Energy Limited	746
Mainfreight Limited	22
Mighty River Power Limited	356
Nuplex Industries Limited	95
Precinct Properties New Zealand Limited	447
Sky Network Television Limited	315
SKYCITY Entertainment Group Limited	243
Spark New Zealand Limited	684
Trade Me Group Limited	188
Westpac Banking Corporation	14
Z Energy Limited	135
	<u>24,262</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 Fund was seeded with a non cash in specie transfer of shares valued at \$19,510,000 and a cash portion of \$60,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Ltd. 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 period ended 31 March 2016.

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

**4. EARNINGS PER UNIT**

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

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

	<b>For the Period ended 31 March 2016</b>
Profit after tax (\$'000)	2,880
Weighted average number of units ('000)	<u>21,358</u>
<b>Basic and diluted earnings per unit (cents per unit)</b>	<b><u>13.48</u></b>

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Opening distributions payable	-
Distributions accrued to Unitholders	734
Distributed to Unitholders	<u>(734)</u>
<b>Closing distribution payable</b>	<b><u>-</u></b>

**Dividends declared and paid**

	<b>Dividend per unit (cents per unit)</b>	<b>Period ended 31 March 2016 \$'000</b>
June 2015 (paid July 2015)	0.40	82
September 2015 (paid October 2015)	0.99	210
December 2015 (paid January 2016)	<u>2.04</u>	<u>442</u>
		<b><u>734</u></b>

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 22,712,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 22,712,000 for total value of \$22,660,000.

The number of units redeemed during the period ended 31 March 2016 was NIL for total value of \$NIL.



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

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

	<b>For the Period ended 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Balance at beginning of the period	-
Subscriptions received during the period	<u>22,712</u>
<b>Units on issue at end of the period</b>	<b><u>22,712</u></b>

The net asset value of each unit per the financial statements is \$1.09220. 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 period.

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 the Fund and receives interest earned on cash at call. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$112,000, with \$11,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$10,000.

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 \$478,000. Total security lending fees for the period ended 31 March 2016 amounted to \$15,000, with the accrued fees due to the Fund of \$1,000. 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 to the Manager for administering the securities lending agreement.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$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 19,624,858 units valued at \$21,412,000 in the Fund. The Fund paid distributions of \$670,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the period is \$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 PERIOD ENDED 31 MARCH 2016**

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

<b>Financial instruments by category</b>	<b>As at 31 March 2016 \$'000</b>
<i>Loans and receivables</i>	
Cash and cash equivalents	334
Receivables	302
<i>Financial assets and financial liabilities at fair value through profit and loss</i>	
Investments in equity securities held at fair value	24,262
<i>Other financial liabilities</i>	
Management fees payable	11
Funds held for unit purchases	47

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 \$2,426,000.

**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>
Cash and cash equivalents	334
Receivables	302

**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 PERIOD 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. The amount of securities the Fund had on loan to NZCL at 31 March 2016 was \$478,000.

**9. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**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 New Zealand Dividend Index Trust**

We have audited the accompanying financial statements of New Zealand Dividend Index Trust ("the Fund") on pages 254 to 266. 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 period 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 254 to 266 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of New Zealand Dividend Index Trust as at 31 March 2016 and its financial performance and cash flows for the period 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, appearing as 'KPMG' in a cursive, slightly stylized font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	59	25.00%	39,198	0.17%
1,001-5,000	84	35.59%	201,332	0.89%
5,001-10,000	32	13.56%	211,418	0.93%
10,001-50,000	48	20.34%	1,021,840	4.50%
50,001-100,000	8	3.39%	520,065	2.29%
Greater than 100,000	5	2.12%	20,718,449	91.22%
<b>TOTAL</b>	<b>236</b>	<b>100.00%</b>	<b>22,712,302</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	19,554,858	86.1
FNZ Custodians Limited	597,136	2.63
Martin Clive Farrell & Karin Joanne Farrell & Jill Maree Darragh	353,328	1.56
Donald John Lyon	110,000	0.48
Theodore Francis Duyvestyn & Maree Margaret Ashton & Graham Brown & Co Trustees Limited	103,127	0.45
Geoffrey Stewart Wilkinson	100,000	0.44
Laurence Michael Diack	80,000	0.35
Raymon Williams	74,075	0.33
ASB Nominees Limited	61,874	0.27
Stephen John Kennedy & Maureen O'Callaghan	51,906	0.23
Roger Alan Dodds	51,563	0.23
Roger Heydon Bell	50,633	0.22
Gavin Matthew Irving & George Harold Irving	50,014	0.22
Denise Carolyn Lyon	50,000	0.22
Stephen Christopher Adams	45,768	0.20
George Harold Irving & Gavin Mathew Irving	45,683	0.20
Stephen George Blair & Josephine Kay Blair	42,453	0.19
NZ Optometric Vision Research Foundation	41,374	0.18
William John Duff Eaton	40,082	0.18
Thomas Michael Gillespie	39,500	0.17
	<b>21,543,374</b>	<b>94.85</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 22,712,302.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	2,129*	0
Tim Bennett (appointed 27 August 2013)	6,920*	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:

3.1.1(a) – Compliance with the Listing Rules	9.1.1 – Disposition or Acquisition of Assets
3.1.1(b) - Compliance with Takeover Provisions	9.2.1 – Material Transactions with Related Parties
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	10.3.2 - Preliminary Announcements
3.4 – Proceedings and Powers of Directors	10.4.1(d) - Annual and Half-Year Reports availability
3.5 – Directors' Remuneration	10.4.2 - Half-Yearly reporting requirements
Section 4 - Takeover Provisions	10.6.1(a) - Other Administrative Information
7.1.11 – Minimum Subscription	11.1.5 - Transfer of Relevant Interests in Securities
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	

# Global Bond Trust (GBF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the Global Bond Trust

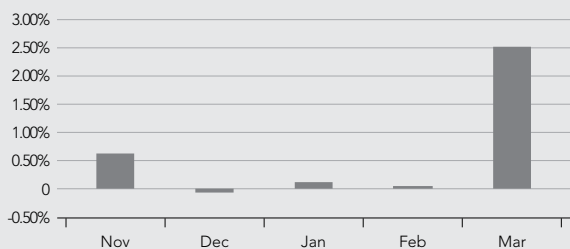
## Report to Unitholders

### HIGHLIGHTS

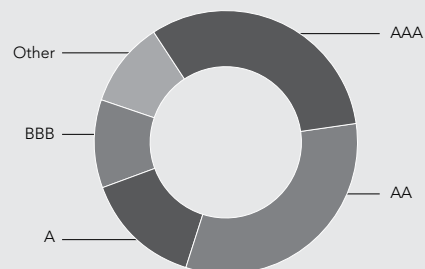
Launch Date 12-Nov-15

	March 2016
Net Tangible Assets (NTA)	\$3.063
Units On Issue	40,196,479
Funds Under Management	\$123,132,059
Gross Return since inception	3.11%
Duration	5.28
Yield to Maturity	5.10%
Average Maturity	9.9
Average Rating	AA-
Fees	0.54%
Distributions paid	Quarterly

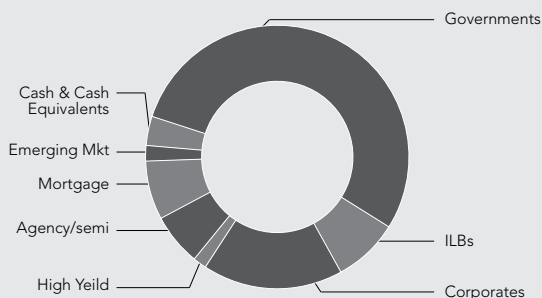
MONTHLY GROSS RETURN



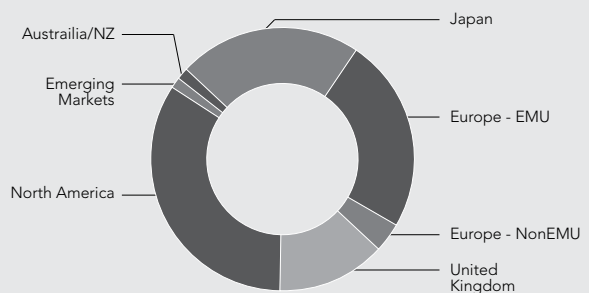
CREDIT ALLOCATION



SECTOR ALLOCATION



REGION ALLOCATION



The objective of the Global Bond (GBF) fund is to outperform the Barclays Global Aggregate Index by 1% per annum over a rolling three-year period, hedged in New Zealand dollars. The fund is diversified across a broad range of global securities, including bonds issued by foreign governments and corporate entities.

**DIRECTORY****THE MANAGER**

Smartshares Limited  
 Level 11, 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  
 State Insurance Tower  
 1 Willis Street, Wellington 6140,  
 NEW ZEALAND

**INVESTMENT ADMINISTRATOR AND CUSTODIAN**

BNP Paribas Fund Services Australasia Pty 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**

Paul R. S. Hocking  
 Peter A. Metz  
 Robert P. Russell  
 David R. Neidhart (appointed 29 Sep 2015)

**THE INVESTMENT MANAGER**

PIMCO Australia Pty Limited  
 Level 19, 363 George Street,  
 Sydney, New South Wales 2000  
 AUSTRALIA

**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 Master Trust Deed dated 24 June 2014 (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 Global Bond Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Interest income		1,408
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		(1,762)
Foreign exchange gain		<u>5,904</u>
<b>Total investment income</b>		<b>5,550</b>
<b>EXPENSES</b>		
Management fee expense	8	252
Brokerage fee expense		4
Interest expense		<u>2</u>
<b>Total expenses</b>		<b>258</b>
<b>Profit before tax</b>		<b>5,292</b>
Income tax expense	1	<u>1,482</u>
<b>Total income tax expense</b>		<b>1,482</b>
<b>Profit after tax</b>		<b>3,810</b>
Other comprehensive income		<u>-</u>
<b>Profit after tax</b>		<b><u>3,810</u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted earnings per unit (cents per unit)</b>	5	<b><u>9.49</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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 \$'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Profit after tax		<u>3,810</u>
<b>Total comprehensive income for the period</b>		<b>3,810</b>
Subscriptions from Unitholders	7	120,017
Distributions to Unitholders	6	<u>(605)</u>
		<b>119,412</b>
<b>Unitholders' funds at the end of the period</b>		<u><b>123,222</b></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**

	<b>Note</b>	<b>As at 31 March 2016 \$'000</b>
<b>ASSETS</b>		
Cash and cash equivalents		4,995
Receivables		833
Investment securities held at fair value through profit or loss	2	124,726
Derivatives held for trading	3	<u>9,477</u>
<b>TOTAL ASSETS</b>		<b><u>140,031</u></b>
<b>LIABILITIES</b>		
Management fees payable	8	56
Derivatives held for trading	3	7,743
Taxation payable		1,063
Payables from purchase of investments		7,332
Distributions payable to Unitholders	6	605
Funds held for unit purchases		<u>10</u>
<b>TOTAL LIABILITIES</b>		<b><u>16,809</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>123,222</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>140,031</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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 March 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Interest income received	566
<i>Cash was applied to:</i>	
Management fees paid	(196)
Interest paid	(2)
Taxation paid	(410)
Brokerage fees paid	(4)
<b>Net cash flows from operating activities</b>	<b><u>(46)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	120,561
<i>Cash was applied to:</i>	
Purchase of investments	(235,325)
<b>Net cash flows from investing activities</b>	<b><u>(114,764)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	120,027
<i>Cash was applied to:</i>	
Distributions paid to Unitholders	-
<b>Net cash flows from financing activities</b>	<b><u>120,027</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>5,217</b>
Cash and cash equivalents at beginning of period	-
Effect of exchange rate fluctuations on cash and cash equivalents	(222)
<b>Cash and cash equivalents at the end of period</b>	<b><u>4,995</u></b>
<b>Reconciliation of profit after tax to net cash flows from operating activities</b>	
Profit after tax	3,810
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	1,762
Net changes to foreign exchange	(5,904)
Increase in taxation payable	1,063
Increase in management fees payable	56
(Increase) in receivables	(833)
<b>Net cash flows from operating activities</b>	<b><u>(46)</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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The Global Bond Trust (the 'Fund') is a for-profit unit trust established on 15 October 2015 in New Zealand under the Unit Trusts Act 1960. 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 and debt securities for the long term as an investment vehicle for individual Unitholders. Distributions are made up of income received from the investments received less expenses paid and allowances for future liabilities. All changes in the fair value of investments in marketable and debt securities, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 9 November 2015.

The Fund's investment activities are managed by PIMCO Australia Pty Limited (the 'Investment Manager'). The Fund is an investment fund that aims to outperform the Barclays Global Aggregate Index (the 'Index'), hedged in NZ dollars. As prescribed by the Trust Deed, the Fund can invest in securities of all types represented in the Index and any other investment that is consistent with the objectives of the fund. The Fund's units are quoted on the NZX Main Board.

**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 period presented.

**Comparative period**

These are the Fund's first set of financial statements and are for the period 9 November 2015 to 31 March 2016. There are no comparative figures.

**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.

**Income recognition**

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

(a) Interest income

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

(b) Changes on financial assets and financial liabilities at fair value through profit and loss

Net gains or losses on investments at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest.

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

(a) Classification

The Fund classifies its underlying investments and derivatives as financial assets and financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and financial liabilities held for trading

Financial instruments held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are categorised as held for trading.

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

(ii) Financial assets and financial liabilities designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Investment Manager does not use short sales in the traditional sense, but can use these as part of spread trades, hedging transactions or income-enhancing strategies.

(b) Recognition, derecognition and measurement

Purchases and sales of investments and derivatives are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment or derivatives. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments and derivatives have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within net changes in fair value of financial assets and financial liabilities at fair value through profit or loss in the period in which they arise.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for futures held by the Fund is the last traded market price. The last traded market price is the price that a buyer is willing to pay for a security.

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

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Performance when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparty.

**Receivables**

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

**Payables**

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

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences 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.

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

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

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

**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 quarterly basis directly from the Fund within 20 Business Days of each Record Date, which is the day selected by the Manager on or about the last Business Day in each of March, June, September and December of each 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 interest and gains and losses from its investments after the deduction of management fees. With this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full. 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 investment management, investing in marketable and debt securities. The Fund received all its income from its investments. For the period ended 31 March 2016, no one marketable/debt security contributed more than 10% of the Fund's interest income. Note 10 has a breakdown of interest income by geographical location.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

**For the  
Period ended  
31 March 2016  
S'000**

**Tax expense comprises:**

Current tax expense

(1,482)

**Total tax expense**

**(1,482)**

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**

**For the  
Period ended  
31 March 2016  
S'000**

Profit before tax

5,292

**Income tax using the statutory income tax rate 28%**

**(1,482)**

**Income tax expense as per Statement of Comprehensive Income**

**(1,482)**

**Imputation credit account (ICA)**

**As at  
31 March 2016  
S'000**

Imputation credits available for use in subsequent periods

1,237

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

**2. INVESTMENT SECURITIES HELD AT FAIR VALUE THROUGH PROFIT AND LOSS**

	As at 31 Mar 2016	
	Fair Value Local Currency	Fair Value NZD
<b>Issuer</b>	<b>\$'000</b>	<b>\$'000</b>
UNITED STATES TREASURY 150125 0.25 ILB (USD)	5,555	8,001
FEDERAL HOME LOAN BANKS 240516 0.00 GB (USD)	4,098	5,903
UNITED STATES TREASURY 070416 0.0 GB (USD)	3,700	5,329
REALKREDIT DANMARK AS 010117 2.00 CB (DKK)	20,417	4,498
NYKREDIT REALKREDIT A S 01102016 1.00 CB (DKK)	20,232	4,457
FRANCE REPUBLIC GOVERNMENT 251118 1.00 GB (EUR)	2,185	3,586
FEDERAL HOME LOAN BANK 270416 0.00 GB (USD)	2,200	3,168
SPAIN KINGDOM OF GOVERNMENT 300424 3.80 GB (EUR)	1,484	2,435
ITALY REPUBLIC OF GOVERNMENT 010924 3.75 GB (EUR)	1,463	2,401
UK OF GREAT BRITAIN AND NORTH IRE 220121 1.50 GB (GBP)	<u>1,034</u>	<u>2,141</u>
		<u><u><b>41,919</b></u></u>

The holdings disclosed above represent the top 10 investments by net market value as at balance date. The total value of investment securities held at fair value was \$124,726,000.

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 rates used were 0.6943 for USD, 4.5393 for DKK, 0.6093 for EUR and 0.4831 for GBP.

The Fund was seeded with an initial cash investment of \$119,701,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch, the Administration and Custodian of the Fund.

**3. DERIVATIVES HELD FOR TRADING**

The Fund holds the following derivative instruments:

(a) Forward foreign exchange contracts

Forward foreign exchange contracts are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on a net basis.

(b) Mortgage-backed securities (To-Be-Announced forwards)

To-Be-Announced forward contracts are contractual obligations to buy or sell mortgage-backed financial instruments on a future date at a specified price.

To-Be-Announced forward contracts are normally settled on a cash basis.

(c) Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

Interest rate swaps (IRS) are contractual arrangements to receive or pay a net amount based on changes in interest rates at a future date at a specified price.

Credit default swaps (CDS) are contractual obligations to make payments over time based on specified notional amounts in return for payout in the case of default by the underlying financial instruments.

Inflation indexed swaps are agreements in which one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index ('CPI).

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

**3. DERIVATIVES HELD FOR TRADING (Continued)**

(d) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at fixed future date or at any time with a specified date or the current fair value of the instruments.

(e) Futures

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

	<b>As at 31 March 2016 \$'000</b>
<b>Assets</b>	
<i>Held for Trading :</i>	
Forward foreign exchange contracts	7,634
To-Be-Announced forward contracts	52
Interest rate swaps	1,450
Credit default swaps	188
Futures	127
Options	<u>26</u>
	<b><u>9,477</u></b>
<b>Liabilities</b>	
<i>Held for Trading :</i>	
Forward foreign exchange contracts	4,399
Interest rate swaps	2,825
Credit default swaps	303
Futures	78
Options	<u>138</u>
	<b><u>7,743</u></b>

**4. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured at the period ended 31 March 2016. There were no transfers between levels in the period ended 31 March 2016.

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

**4. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

	Level 1	As at 31 March 2016 Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets and financial liabilities</b>				
<i>Financial assets and financial liabilities designated as fair value through profit or loss</i>				
Investment securities held at fair value through profit or loss	-	124,726	-	124,726
	-	124,726	-	124,726
<i>Financial assets and financial liabilities held for trading</i>				
Interest rate swaps	-	(1,375)	-	(1,375)
Credit default swaps	-	(115)	-	(115)
Futures and options	(63)	-	-	(63)
Bond forward	-	52	-	52
Forward foreign exchange contracts	-	3,235	-	3,235
	(63)	1,797	-	1,734

**5. 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 period.

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 Period ended 31 March 2016</b>
Profit after tax (\$'000)	3,810
Weighted average number of units ('000)	40,160
<b>Basic and diluted earnings per unit (cents per unit)</b>	<b>9.49</b>

**6. DISTRIBUTIONS PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Distributions payable at beginning of the period	-
Distributions accrued to Unitholders	605
Distributed to Unitholders	-
<b>Distributions payable at end of the period</b>	<b>605</b>

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

**6. DISTRIBUTIONS PAYABLE TO UNITHOLDERS (Continued)**

**Dividends declared and not paid**

	<b>Dividend per unit (Cents per unit)</b>	<b>For the Period ended 31 March 2016 S'000</b>
March 2016 (paid April 2016)	1.51	605

**7. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 40,196,479 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 40,196,479 for total value of \$120,017,000.

The number of units redeemed during the period ended 31 March 2016 was NIL for total value of \$NIL.

	<b>As at 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Units on issue at beginning of the period	-
Subscriptions received during the period	40,196
Redemptions made during the period	-
<b>Units on issue at end of the period</b>	<b><u>40,196</u></b>

The net asset value of each unit per the financial statements is \$3.06553. 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.

**8. RELATED PARTY TRANSACTIONS**

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

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board. The Fund was seeded with a cash investment from SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. As at 31 March 2016, SuperLife superannuation scheme held 40,091,479 units valued at \$122,687,000 in the Fund. The Fund paid distributions of \$604,000 to SuperLife superannuation scheme. Of the total, the balance remaining as payable at the end of the year is \$604,000.

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 interest earned on cash retained for the purpose of distribution prior to the distributions being made. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$252,000, with \$56,000 of outstanding accrued management fees due to the Manager at the end of the period.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$4,000.

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

**9. FINANCIAL RISK MANAGEMENT**

**Strategy in using financial instruments**

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in 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>
<i><u>Loans and receivables</u></i>	
Cash and cash equivalents	4,995
Receivables	833
<i><u>Financial assets and financial liabilities at fair value through profit and loss</u></i>	
Investment securities held at fair value through profit or loss	124,726
Derivatives held for trading (Financial asset)	9,477
Derivatives held for trading (Financial liability)	7,743
<i><u>Other financial liabilities</u></i>	
Management fees payable	56
Other current liabilities	10
Payables from purchase of investments	7,332
Distributions payable to Unitholders	605

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

**9a. Market price risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund's investments are mainly in interest-bearing assets which does not expose it to market price risk, however the Fund's futures held for trading are susceptible to market price risk. A 10% increase/decrease in market price will result in an increase/decrease in fair value on financial assets and financial liabilities through profit or loss of \$3,604,000.

The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

**9b. 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 financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at year end. It is therefore exposed to currency risk. The foreign currencies in which the Fund primarily transacts are Australian dollar ('AUD'), US dollar ('USD'), Canadian dollar ('CAD'), British Pound ('GBP'), Euro ('EUR') and Japanese Yen ('JPY'). Other currencies include Brazilian Real, Chinese Yuan, Danish Krone, Indian Rupee, South Korean Won, Mexican Peso, Malaysian Ringgit, Norwegian Krone, Russian Ruble, Swedish Krone, Singapore Dollar, Taiwan New Dollar, Thai Baht and South African Rand.

The Fund invests in international fixed interest securities. The Fund is therefore directly subject to risk due to fluctuations in the prevailing currency exchange rate. A change in exchange rates would impact the New Zealand dollar equivalent market price of the investments.

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

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

The Fund enters into forward exchange contracts designed to economically hedge the foreign exposure of the underlying investments. The portfolios within the Fund are to be economically hedged between 95% and 105%.

The foreign exchange risk disclosures have been prepared on the basis of the Fund's direct investments.

The table below summarises the Fund's exposure to currency risk in New Zealand dollar value of the financial instruments. The amounts disclosed for derivatives held for trading are the notional amounts.

	As at 31 March 2016						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
<b>Assets and liabilities</b>							
Cash and cash equivalents	10	179	(60)	251	(777)	4,614	148
Investment securities held at fair value through profit or loss	1,473	4,815	20,388	11,326	93	72,402	14,232
Derivatives held for trading	(1,492)	(5,030)	(20,975)	(11,580)	(774)	(70,715)	(11,449)
Receivables/(payables)	<u>12</u>	<u>44</u>	<u>221</u>	<u>47</u>	<u>-</u>	<u>390</u>	<u>70</u>
<b>Total financial assets and liabilities</b>	<b><u>3</u></b>	<b><u>8</u></b>	<b><u>(426)</u></b>	<b><u>44</u></b>	<b><u>(1,458)</u></b>	<b><u>6,691</u></b>	<b><u>3,001</u></b>

The table below summarises the sensitivity analysis in NZD currency to an increase or decrease in the exchange rate with all other variables remaining constant, where the Fund has significant currency risk exposure, based on an assumed increase/decrease by the percentage disclosed in the table below.

	As at 31 March 2016			
	Profit or loss		Unit Holders' Funds	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
<b>Assets and liabilities</b>				
Cash and cash equivalents	(437)	437	(437)	437
Investment securities held at fair value through profit or loss	(12,473)	12,473	(12,473)	12,473
Derivatives held for trading	12,202	(12,202)	12,202	(12,202)
Receivables/(payables)	(78)	78	(78)	78

**9c. Interest rate risk**

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

The Fund's interest-bearing financial assets and financial liabilities are exposed to risks arising from the fluctuation in the market interest rates which impact its financial position and cash flows. Interest rate risk is actively managed within the terms of the investment guidelines for the Fund as agreed with the Manager.

The majority of interest rate exposure arises on investment in debt securities. Most of the Fund's investments in debt securities carry fixed interest rates.

In accordance with the Fund's Statement of Accounting Policies, the Investment Manager monitors and the Manager reviews the Fund's overall interest sensitivity on a regular basis.

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

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

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

	As at 31 March 2016					Total \$'000
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	
<b>ASSETS</b>						
Cash and cash equivalents	4,995	-	-	-	-	4,995
Investment securities held at fair value through profit or loss	19,610	13,168	3,784	29,606	58,558	124,726
Derivatives held for trading	-	-	-	111	1,339	1,450
<b>Total financial assets subject to interest rate risk</b>	<b>24,605</b>	<b>13,168</b>	<b>3,784</b>	<b>29,717</b>	<b>59,897</b>	<b>131,171</b>
<b>LIABILITIES</b>						
Derivatives held for trading	-	-	6	287	2,532	2,825
<b>Total financial liabilities subject to interest rate risk</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>287</b>	<b>2,532</b>	<b>2,825</b>

The tables below show the sensitivity of the Fund's profit or loss to a reasonably possible change in interest rates with all other variables remaining constant. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on:

- 1) The interest income for one year based on floating rate financial assets held as at 31 March 2016.
- 2) Changes in fair value of investments for the year based on revaluing fixed rate financial assets as at 31 March 2016.

	As at 31 March 2016			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	44	(44)	-	-
Investment securities held at fair value through profit or loss	30	(30)	(6,653)	6,446

**9d. Credit risk**

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

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

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

There are no financial assets (including financial assets which are without an available credit rating) that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

	As at 31 March 2016				
	AAA TO AA- \$'000	A+ TO A- \$'000	BBB+ to B- \$'000	Unrated \$'000	Total \$'000
Investment securities held at fair value through profit or loss	69,325	21,638	32,159	1,604	124,726
	<b>69,325</b>	<b>21,638</b>	<b>32,159</b>	<b>1,604</b>	<b>124,726</b>



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

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

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, counterparties to any over the counter derivatives contracts or other sources of credit risk.

**9e. Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that can be readily disposed of.

The Fund has the ability to borrow in the short term to ensure settlement. No such borrowings have arisen during the period covered by these financial statements.

The table below analyses the net settled derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. The contractual cash flows are based on the spot rate as at 31 March 2016.

	Statement of Financial Position \$'000	Contractual cash flows \$'000	As at 31 March 2016			
			Within 6 months \$'000	Between 6- 12 months \$'000	Between 1-5 years \$'000	Over 5 years \$'000
Derivative assets held for trading	9,477					
Inflow		336,088	310,594	890	21,692	2,628
Outflow		<u>(321,678)</u>	<u>(302,161)</u>	<u>(466)</u>	<u>(19,144)</u>	<u>(92)</u>
	<u>9,477</u>	<u>14,410</u>	<u>8,433</u>	<u>424</u>	<u>2,548</u>	<u>2,536</u>
Derivative liabilities held for trading	7,743					
Inflow		242,078	224,788	8,884	4,540	3,866
Outflow		<u>(235,080)</u>	<u>(227,977)</u>	<u>(8,500)</u>	<u>(987)</u>	<u>(410)</u>
	<u>7,743</u>	<u>6,998</u>	<u>(3,189)</u>	<u>384</u>	<u>3,553</u>	<u>3,456</u>

**10. SEGMENT INFORMATION**

The Fund operates solely in the business of investment management. The table below analyses the Fund's interest income grouped by geographical location.

	For the Period ended 31 March 2016 \$'000
United Kingdom	158
Euro Zone	508
United States of America (USA)	474
Americas (excluding USA)	195
Other	<u>73</u>
	<u>1,408</u>

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

**11. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**12. 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 Global Bond Trust

We have audited the accompanying financial statements of Global Bond Trust ("the Fund") on pages 273 to 289. 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 period 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 273 to 289 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Global Bond Trust as at 31 March 2016 and its financial performance and cash flows for the period 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 (GBF) AS AT 30 APRIL 2016

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	11	31.43%	4,323	0.01%
1,001-5,000	10	28.57%	22,895	0.06%
5,001-10,000	3	8.57%	19,985	0.05%
10,001-50,000	8	22.86%	136,707	0.33%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	3	8.57%	41,037,569	99.55%
<b>TOTAL</b>	<b>35</b>	<b>100.00%</b>	<b>41,221,479</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	40,091,479	97.26
FNZ Custodians Limited	750,911	1.82
Investment Custodial Services Limited	195,179	0.47
Forsyth Barr Custodians Ltd	26,500	0.06
John Huthwaite Ronaldson & Marian Elizabeth Ronaldson & Franklin Trustee Services Ltd	21,800	0.05
FNZ Custodians Limited	20,275	0.05
Anthony Smith & Barbara Smith	17,313	0.04
Philip Frederick Robinson	16,000	0.04
Thomas Michael Gillespie	14,571	0.04
Investment Custodial Services Limited	10,199	0.02
Philip Warren Horn	10,049	0.02
Paul Jan Kulhavy & Lesley Jean Valentine	8,039	0.02
William John Duff Eaton	6,600	0.02
FNZ Custodians Limited	5,346	0.01
Craigs Investment Partners Limited	4,740	0.01
Billy Cheung Services Limited	3,312	0.01
Custodial Services Limited	3,300	0.01
Elizabeth Anne Darney	3,300	0.01
Jason Brigg Bedford & Janine Carol Bedford	1,991	0.00
Grant Andrew Skilton & Naomi Cogger	1,650	0.00
	<b>41,212,554</b>	<b>99.96</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 40,196,479.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	3,487*	0
Tim Bennett (appointed 27 August 2013)	0	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:

3.1.1(a) – Compliance with the Listing Rules	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.1.1(b) - Compliance with Takeover Provisions	7.11.1 Allotment within 5 business days
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	9.2.1 – Material Transactions with Related Parties
3.4 – Proceedings and Powers of Directors	10.3.2 - Preliminary Announcements
3.5 – Directors' Remuneration	10.4.1(d) - Annual and Half-Year Reports availability
Section 4 - Takeover Provisions	10.4.2 - Half-Yearly reporting requirements
7.1.11 – Minimum Subscription	10.6.1(a) - Other Administrative Information
7.3 – Issues of New Equity Securities	11.1.5 - Transfer of Relevant Interests in Securities
7.4 – Entitlements to Third Party Securities	
7.5 – Issues and Buybacks of Securities Affecting Control	

# New Zealand Bond Trust (NZB)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the New Zealand Bond Trust

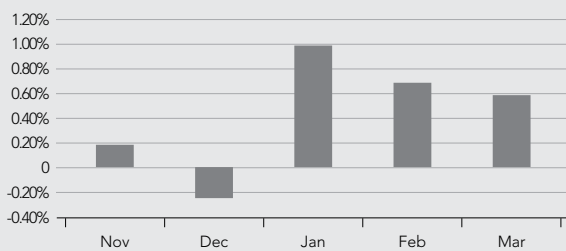
## Report to Unitholders

### HIGHLIGHTS

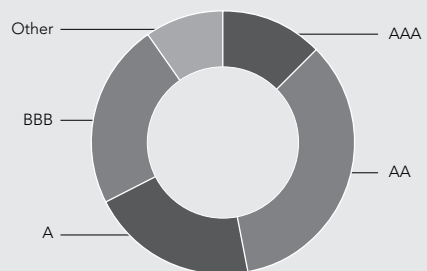
Launch Date 12-Nov-15

	March 2016
Net Tangible Assets (NTA)	\$3.0118
Units On Issue	66,243,573
Funds Under Management	\$199,512,393
Gross Return since inception	2.22%
Duration	4.17
Yield to Maturity	3.61
Average Maturity	5.06
Average Rating	A
Fees	0.54%
Distributions paid	Quarterly

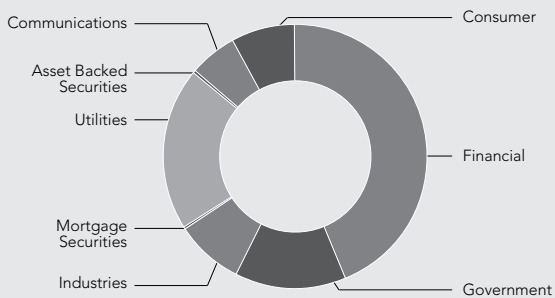
MONTHLY GROSS RETURN



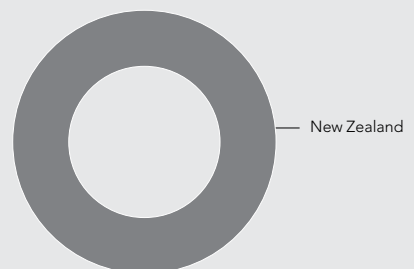
CREDIT ALLOCATION



SECTOR ALLOCATION



COUNTRY ALLOCATION



## 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  
State Insurance Tower  
1 Willis Street, Wellington 6140,  
NEW ZEALAND

### INVESTMENT ADMINISTRATOR AND CUSTODIAN

BNP Paribas Fund Services Australasia Pty 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

Paul R. S. Hocking  
Peter A. Metz  
Robert P. Russell  
David R. Neidhart (appointed 29 Sep 2015)

### THE INVESTMENT MANAGER

Nikko Asset Management New Zealand Limited  
Level 9, Vero Centre, 48 Shortland Street  
Auckland 1010  
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 Master Trust Deed dated 24 June 2014 (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 New Zealand Bond Trust (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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Dividend income		8
Interest income		3,895
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		1,792
Other income		<u>54</u>
<b>Total investment income</b>		<b>5,749</b>
<b>EXPENSES</b>		
Management fee expense	8	<u>413</u>
<b>Total expenses</b>		<b>413</b>
<b>Profit before tax</b>		<b>5,336</b>
Income tax expense	1	<u>1,492</u>
<b>Total income tax expense</b>		<b>1,492</b>
<b>Profit after tax</b>		<b>3,844</b>
<b>Total comprehensive income</b>		<b><u><u>3,844</u></u></b>
<b>EARNINGS PER UNIT</b>		
<b>Basic and diluted earnings per unit (cents per unit)</b>	5	<b><u><u>5.81</u></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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 \$'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Profit after tax		<u>3,844</u>
<b>Total comprehensive income/(loss) for the period</b>		<b>3,844</b>
Subscriptions from Unitholders	7	197,446
Distributions to Unitholders	6	<u>(1,780)</u>
		<b>195,666</b>
<b>Unitholders' funds at the end of the period</b>		<b><u>199,510</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**

	Note	As at 31 March 2016 \$'000
<b>ASSETS</b>		
Cash and cash equivalents		2,344
Receivables		2,266
Deferred tax asset		37
Investment securities held at fair value through profit or loss	2	197,306
Investments in equity securities held at fair value through profit or loss		<u>789</u>
<b>TOTAL ASSETS</b>		<b><u>202,742</u></b>
<b>LIABILITIES</b>		
Management fees payable	8	92
Derivatives held for trading	3	28
Taxation payable		1,328
Distribution payable to Unitholders	6	1,780
Funds held for unit purchases		<u>4</u>
<b>TOTAL LIABILITIES</b>		<b><u>3,232</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>199,510</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>202,742</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 PERIOD ENDED 31 MARCH 2016**

	<b>For the Period ended 31 Mar 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Dividend income received	8
Interest income	3,405
Other income	54
<i>Cash was applied to:</i>	
Management fees paid	(322)
Taxation paid	<u>(200)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>2,945</u></u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	30,006
<i>Cash was applied to:</i>	
Purchase of investments	<u>(32,439)</u>
<b>Net cash flows from investing activities</b>	<b><u><u>(2,433)</u></u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	<u>1,833</u>
<b>Net cash flows from financing activities</b>	<b><u><u>1,833</u></u></b>
<b>Net increase in cash and cash equivalents</b>	<b>2,345</b>
Cash and cash equivalents at beginning of period	<u>-</u>
<b>Cash and cash equivalents at the end of period</b>	<b><u><u>2,345</u></u></b>
<b>Reconciliation of profit after tax to net cash flows from operating activities</b>	
Profit after tax	3,844
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(1,792)
Increase in taxation payable	1,328
(Increase) in deferred tax asset	(37)
Increase in management fees payable	92
(Increase) in receivables	<u>(490)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>2,945</u></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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The New Zealand Bond Trust (the 'Fund') is a for-profit unit trust established on 15 October 2015 in New Zealand under the Unit Trusts Act 1960. 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 marketable and debt securities for the long term as an investment vehicle for individual Unitholders. Distributions are made up of income received from the investments received less expenses paid and allowances for future liabilities. All changes in the fair value of investments in marketable and debt securities, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 6 November 2015.

The Fund's investment activities are managed by Nikko Asset Management New Zealand Limited (the 'Investment Manager'). The Fund is an investment fund that aims to outperform the S&P/NZX A-Grade Bond Index (the 'Index') over a rolling three-year period. As prescribed by the Trust Deed, the Fund can invest in securities of all types represented in the Index and any other investment that is consistent with the objectives of the Fund. The Fund's units are quoted on the NZX Main Board.

**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 period presented.

**Comparative period**

These are the Fund's first set of financial statements and are for the period 6 November 2015 to 31 March 2016. There are no comparative figures.

**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.

**Income recognition**

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

(a) Dividends

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

(b) Interest

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

(c) Changes in fair value of investments

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

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

(a) Classification

The Fund classifies its underlying investments and derivatives as financial assets and financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and financial liabilities held for trading

Financial instruments held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

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

(ii) Financial assets and financial liabilities designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance is measured on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial instruments. The Investment Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value. The Fund does not make use of short sales for arbitrage transactions.

(b) Recognition, derecognition and measurement

Purchases and sales of investments and derivatives are recognised on the trade date – the date on which the Fund commits to the investment or derivatives. Financial assets and financial liabilities designated at fair value through profit or loss are measured at fair value. Transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments and derivatives have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within net changes in fair value of financial assets and financial liabilities at fair value through profit or loss in the period in which they arise.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices. The quoted market price used for preference shares held by the Fund is the last traded market price. The last traded market price that a buyer is willing to pay for a security.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: reference to the current market value of another instrument that is substantially the same; discounting future cash flows; and option pricing models making as much use of available and supportable market data as possible and keeping a minimum.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business or in the event of default, insolvency or bankruptcy of the counterparty.

**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 acquisition of goods and services, and are measured at amortised cost.

**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 that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash and cash equivalents 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 for redemption, in accordance with the redemption rules as defined in the Prospectus, by delivery to the investor of the Fund's authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to, the units issued.

The units are issued and redeemed at the Unitholder's option and at the Manager's discretion at prices 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 asset value of the Fund by the total number of outstanding units. In accordance with the provisions of the Trust Deed, the net asset value per unit is based on the latest available valuations for the purpose of determining the net asset value per unit for subscriptions and redemptions.

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

**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 quarterly basis directly from the Fund within 20 Business Days of each Record Date, which is the day selected by the Manager on or about the last Business Day in each of March, June, September and December of each 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 interest and gains and losses from the investments 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. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. 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 New Zealand marketable and debt securities. The Fund received all its income from its investments. There was no individual investment that contributed 10% or more of the Fund's interest income for the period ended 31 March 2016.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	(1,529)
Prior period adjustment	-
Deferred tax movement	<u>37</u>
<b>Total tax expense</b>	<b><u><u>(1,492)</u></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:

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Profit before tax	<u>5,336</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>(1,494)</b>
Gross up of imputation credits	<u>(1)</u>
	<b>(1,495)</b>
Add imputation credits and other tax credits	<u>3</u>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u><u>(1,492)</u></u></b>

	<b>As at 31 March 2016 \$'000</b>
<b>Deferred tax</b>	
Opening balance	-
Current period movement	<u>37</u>
<b>Closing balance</b>	<b><u><u>37</u></u></b>

**Imputation credit account (ICA)**

	<b>As at 31 March 2016 \$'000</b>
Imputation credits available for use in subsequent periods	1,329



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

**2. INVESTMENT SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

<b>Issuer</b>	<b>As at 31 Mar 2016 Fair Value NZD S'000</b>
BANK OF NEW ZEALAND 250619 5.57 CB	10,111
TCNZ FINANCE LTD 251019 5.25 CB	9,782
NEW ZEALAND 150423 5.5 GB	9,512
RABO FRN 081017	9,482
NEW ZEALAND GOVERNMENT 140433 3.50 GB	8,792
ASB BANK LTD 260521 4.245 CB	7,244
FONTERRA COOPERATIVE GROUP LTD 250222 5.90 CB	7,051
WELLINGTON INTERNATIONAL AIRPORT 150521 6.25 CB	6,727
ANZ BANK NEW ZEALAND LTD 220321 4.0 CB	6,623
BANK OF NEW ZEALAND 171225 5.314 CB	6,551
	<b>81,875</b>
	<b>81,875</b>

The holdings disclosed above represent the top 10 investments by net market value as at balance date. The total value of investment securities held at fair value were \$197,306,000.

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 Fund was seeded with an investment of \$195,618,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch, the Administration Manager and Custodian of the Fund.

**3. DERIVATIVES HELD FOR TRADING**

The Fund holds the following derivative instruments:

*Options*

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at fixed future date or at any time with a specified date or the current fair value of the instruments.

<b>Liabilities</b>	<b>As at 31 March 2016 S'000</b>
<i>Held for Trading :</i>	
Options	28
	<b>28</b>

**4. 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;

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

**4. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

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

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured at the period ended 31 March 2016. There were no transfers between levels in the period ended 31 March 2016.

	As at 31 March 2016			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets and financial liabilities</b>				
<i>Financial assets and financial liabilities designated as fair value through profit or loss</i>				
Investment securities held at fair value through profit or loss	-	197,306	-	197,306
Investments in equity securities held at fair value through profit or loss	789	-	-	789
	<u>789</u>	<u>-</u>	<u>-</u>	<u>789</u>
<i>Financial assets and financial liabilities held for trading</i>				
Derivatives held for trading	-	(28)	-	(28)
	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>(28)</u>

**5. 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 period.

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 Period ended 31 March 2016
Profit after tax (\$'000)	3,844
Weighted average number of units ('000)	<u>66,155</u>
<b>Basic and diluted earnings per unit (cents per unit)</b>	<u><b>5.81</b></u>

**6. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	As at 31 March 2016 \$'000
Distribution payable at beginning of the period	-
Distribution accrued to Unitholders	1,780
Distributed to Unitholders	<u>-</u>
<b>Distribution payable at end of the period</b>	<u><b>1,780</b></u>
<b>Dividends declared and not paid</b>	
	Dividend per unit (Cents per unit)
31 March 16 (paid April 2016)	2.69
	As at 31 March 2016
	1,780

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

**7. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 66,244,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 66,244,000 for total value of \$197,446,000.

The number of units redeemed during the period ended 31 March 2016 was NIL for total value of \$NIL.

	<b>As at 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Units on issue at beginning of the period	-
Subscriptions received during the period	66,244
Redemptions made during the period	-
<b>Units on issue at end of the period</b>	<b><u>66,244</u></b>

The net asset value of each unit per the financial statements is \$3.01174. 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.

**8. RELATED PARTY TRANSACTIONS**

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

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited a company listed on the NZX Main Board. The Fund was seeded by SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. As at 31 March 2016, SuperLife superannuation scheme held 65,943,573 units valued at \$198,410,000 in the Fund. The Fund paid distributions of \$1,772,000 to SuperLife superannuation scheme. Of the total, balance remaining as payable at the end of the year is \$1,772,000.

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 interest earned on cash retained for the purpose of distribution prior to the distributions being made. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$413,000, with \$92,000 of outstanding accrued management fees due to the Manager at the end of the period. The total interest earned on cash at call for the period ended 31 March 2016 amounted to \$NIL.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$4,000.

**9. FINANCIAL RISK MANAGEMENT****Strategy in using financial instruments**

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in 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 PERIOD ENDED 31 MARCH 2016**

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

**Financial instruments by category**

	<b>As at 31 March 2016 \$'000</b>
<i><u>Loans and receivables</u></i>	
Cash and cash equivalents	2,344
Receivables	2,266
<i><u>Financial assets and financial liabilities at fair value through profit and loss</u></i>	
Investments in equity securities held at fair value through profit or loss	789
Investment securities held at fair value through profit or loss	197,306
Derivatives held for trading (Financial liabilities)	28
<i><u>Other financial liabilities</u></i>	
Management fees payable	92
Funds held for unit purchases	4
Distribution payable to Unitholders	1,780

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

**9a. Market price risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund's investments are mainly interest-bearing assets which do not expose it to market price risk. The Fund's preference shares held for trading are susceptible to market price risk, however this risk is not considered to be significant.

The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

**9b. Interest rate risk**

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

The Fund's interest-bearing financial assets and financial liabilities exposed it to risks arising from the fluctuation in the market interest rates which impact its financial position and cash flows. Interest rate risk is actively managed within the terms of the investment guidelines for the Fund as agreed with the Manager.

The majority of interest rate exposure arises on investment in debt securities. Most of the Fund's investments in debt securities carry fixed interest rates.

The Investment Manager monitors and the Manager reviews the Fund's overall interest sensitivity on a regular basis.

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

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

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

	As at 31 Mar 2016					Total \$'000
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1- 2 years \$'000	Between 2- 5 years \$'000	Over 5 years \$'000	
	<b>ASSETS</b>					
Cash and cash equivalents	2,344	-	-	-	-	2,344
Investment securities held at fair value through profit or loss	<u>996</u>	<u>6,785</u>	<u>19,859</u>	<u>97,150</u>	<u>72,516</u>	<u>197,306</u>
<b>Total financial assets subject to interest rate risk</b>	<b><u>3,340</u></b>	<b><u>6,785</u></b>	<b><u>19,859</u></b>	<b><u>97,150</u></b>	<b><u>72,516</u></b>	<b><u>199,650</u></b>
<b>LIABILITIES</b>						
Derivatives held for trading	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28</u>
<b>Total financial liabilities subject to interest rate risk</b>	<b><u>28</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>28</u></b>

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rates with all other variables remaining constant. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on:

- 1) The interest income for one year based on floating rate financial assets held as at 31 March 2016.
- 2) Changes in fair value of investments for the year based on revaluing fixed rate financial assets as at 31 March 2016.

	As at 31 March 2016			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	6	(6)	-	-
Investment securities held at fair value through profit or loss	144	(144)	(7,835)	8,382

**9c. Credit Risk**

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

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

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

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets (including financial assets which are without an available credit rating), that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

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

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

	As at 31 March 2016				
	AAA TO AA- \$'000	A+ TO A- \$'000	BBB+ to B- \$'000	Not rated \$'000	Total \$'000
Investment securities held at fair value through profit or loss	<u>69,547</u>	<u>72,830</u>	<u>43,631</u>	<u>11,298</u>	<u>197,306</u>
	<u>69,547</u>	<u>72,830</u>	<u>43,631</u>	<u>11,298</u>	<u>197,306</u>

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, counterparties to any over the counter derivatives contracts or other sources of credit risk.

**9d. Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Investment Manager monitors the Fund's liquidity position on a daily basis. Liquidity management is designed to ensure that the Fund has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal level of redemptions. The Investment Manager regularly monitors market volatility and redemption levels to establish the Fund's appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

The contractual cash flows are based on the spot rate as at 31 March 2016.

	Statement of Financial Position \$000	Contractual cash flows \$000	As at 31 March 2016				Over 5 years \$000
			Within 1 month \$000	Between 1- 6 months \$000	Between 6- 12 months \$000	Between 1- 5 years \$000	
Derivative liabilities held for trading	(28)						
Inflow		-	-	-	-	-	-
Outflow		(28)	(28)	-	-	-	-

**10. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**11. 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 New Zealand Bond Trust

We have audited the accompanying financial statements of the New Zealand Bond Trust ("the Fund") on pages 296 to 309. 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 period 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 296 to 309 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of New Zealand Bond Trust as at 31 March 2016 and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature of 'KPMG' in black ink, written in a cursive, stylized font.

27 May 2016  
Wellington



# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1000	17	31.48%	6,319	0.01%
1001-5000	17	31.48%	36,908	0.06%
5001-10000	6	11.11%	42,363	0.06%
10001-50000	11	20.37%	213,252	0.32%
50001-100000	2	3.70%	111,158	0.17%
Greater than 100000	1	1.85%	65,913,573	99.38%
<b>TOTAL</b>	<b>54</b>	<b>100.00%</b>	<b>66,323,573</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	65,913,573	99.38
Investment Custodial Services Limited	60,374	0.09
Ajd Family Nominees Limited	50,784	0.08
FNZ Custodians Limited	45,474	0.07
Craigs Investment Partners Limited	28,012	0.04
Somsmith Nominees Limited	23,204	0.03
Investment Custodial Services Limited	18,280	0.03
Timothy Stephen Wylie	17,000	0.03
Custodial Services Limited	16,666	0.03
Peter James Beirne	15,133	0.02
Effie Alison Edgar & Raymond Arthur Hancox & David Douglas Edgar	13,418	0.02
Investment Custodial Services Limited	13,147	0.02
Ronald Peter Admiraal	11,821	0.02
Philip Warren Horn	11,097	0.02
William John Duff Eaton	9,900	0.01
Judith Marie Macindoe	8,373	0.01
Timothy Shaun Lip	7,000	0.01
Custodial Services Limited	6,850	0.01
Simon John Van Lankveld	5,196	0.01
Investment Custodial Services Limited	5,044	0.01
	<b>66,280,346</b>	<b>99.94</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 66,243,573.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	3,337*	0
Tim Bennett (appointed 27 August 2013)	0	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:

3.1.1(a) – Compliance with the Listing Rules	7.5 – Issues and Buybacks of Securities Affecting Control
3.1.1(b) - Compliance with Takeover Provisions	7.6.1 to 7.6.3 – Buybacks, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 – Proceedings and Powers of Directors	9.2.1 – Material Transactions with Related Parties
3.5 – Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 – Minimum Subscription	10.4.2 - Half-Yearly reporting requirements
7.3 – Issues of New Equity Securities	10.6.1(a) - Other Administrative Information
7.4 – Entitlements to Third Party Securities	11.1.5 - Transfer of Relevant Interests in Securities

# New Zealand Cash Trust (NZC)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016  
 Presented by Smartshares Limited, Manager of the New Zealand Cash Trust

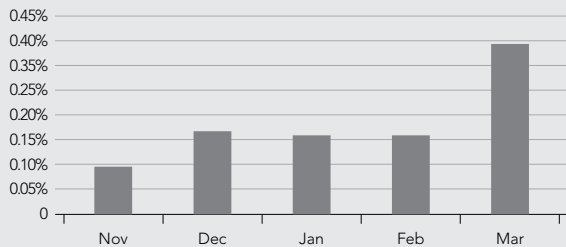
## Report to Unitholders

### HIGHLIGHTS

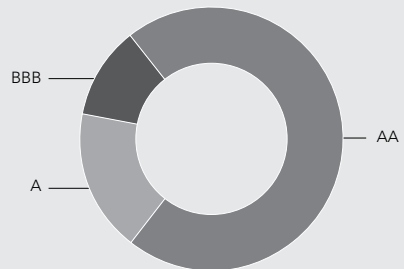
Launch Date 12-Nov-15

	March 2016
Net Tangible Assets (NTA)	\$2.99361
Units On Issue	41,823,936
Funds Under Management	\$125,204,553
Gross Return since inception	1.06%
Average Rating	AA-
Fees	0.33%
Distributions paid	Quarterly

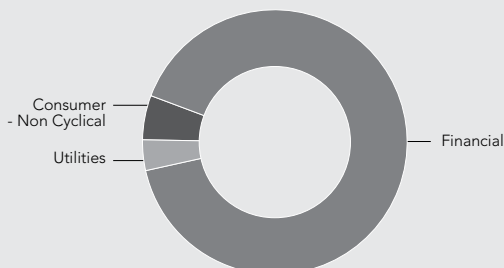
MONTHLY GROSS RETURN



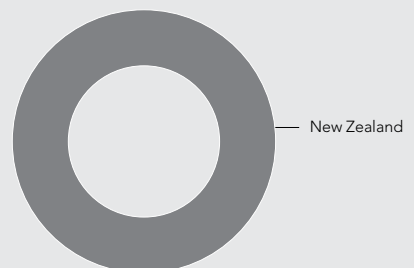
CREDIT ALLOCATION



SECTOR ALLOCATION



COUNTRY ALLOCATION



## DIRECTORY

### THE MANAGER

Smartshares Limited  
Level 11, 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  
State Insurance Tower  
1 Willis Street, Wellington 6140,  
NEW ZEALAND

### INVESTMENT ADMINISTRATOR AND CUSTODIAN

BNP Paribas Fund Services Australasia Pty 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

Paul R. S. Hocking  
Peter A. Metz  
Robert P. Russell  
David R. Neidhart (appointed 29 Sep 2015)

### THE INVESTMENT MANAGER

Nikko Asset Management New Zealand Limited  
Level 9, Vero Centre, 48 Shortland Street,  
Auckland, 1010  
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 Master Trust Deed dated 24 June 2014 (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 New Zealand Cash Trust (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 present 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 period 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 PERIOD ENDED 31 MARCH 2016**

	<b>Note</b>	<b>For the Period ended 31 March 2016 \$'000</b>
<b>INCOME</b>		
Interest income		1,882
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<u>(149)</u>
<b>Total investment income</b>		<b>1,733</b>
<b>EXPENSES</b>		
Management fee expense	8	<u>160</u>
<b>Total expenses</b>		<b>160</b>
<b>Profit before tax</b>		<b>1,573</b>
Income tax expense	1	<u>440</u>
<b>Total income tax expense</b>		<b>440</b>
<b>Profit after tax</b>		<b><u>1,133</u></b>
<b>EARNINGS PER UNIT</b>		
Basic and diluted earnings per unit (cents per unit)	4	<u>2.71</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 PERIOD ENDED 31 MARCH 2016**

		<b>For the Period ended 31 March 2016 \$'000</b>
<b>Unitholders' funds at beginning of the period</b>		-
Profit after tax		<u>1,133</u>
<b>Total comprehensive income for the period</b>		<b>1,133</b>
Subscriptions from Unitholders	6	125,200
Distributions to Unitholders	5	<u>(1,129)</u>
		<b>124,071</b>
<b>Unitholders' funds at the end of the period</b>		<b><u>125,204</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**

	Note	As at 31 March 2016 \$'000
<b>ASSETS</b>		
Cash and cash equivalents		3,142
Receivables		324
Investment securities designated at fair value through profit or loss	2	67,230
Bank term deposits	2	<u>55,852</u>
<b>TOTAL ASSETS</b>		<b><u>126,548</u></b>
<b>LIABILITIES</b>		
Management fees payable	8	35
Taxation payable		180
Distribution payable to Unitholders	5	<u>1,129</u>
<b>TOTAL LIABILITIES</b>		<b><u>1,344</u></b>
<b>UNITHOLDERS' FUNDS</b>		<b><u>125,204</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b><u>126,548</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

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

	<b>For the Period ended 31 Mar 2016 S'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Interest income	763
<i>Cash was applied to:</i>	
Management fees paid	(125)
Taxation paid	<u>(260)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>378</u></u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Sale of investments	116,144
<i>Cash was applied to:</i>	
Purchase of investments	<u>(116,336)</u>
<b>Net cash flows from investing activities</b>	<b><u><u>(192)</u></u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Cash was provided from:</i>	
Subscriptions received from Unitholders	<u>2,956</u>
<b>Net cash flows from financing activities</b>	<b><u><u>2,956</u></u></b>
<b>Net increase in cash and cash equivalents</b>	<b>3,142</b>
Cash and cash equivalents at the beginning of period	<u>-</u>
<b>Cash and cash equivalents at the end of period</b>	<b><u><u>3,142</u></u></b>
<b>Reconciliation of profit after tax to net cash flows from operating activities</b>	
Profit after tax	1,133
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	149
Interest accrued on term deposits	(795)
Increase in taxation payable	180
Increase in management fees payable	35
(Increase) in receivables	<u>(324)</u>
<b>Net cash flows from operating activities</b>	<b><u><u>378</u></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 PERIOD ENDED 31 MARCH 2016**

**GENERAL INFORMATION**

The New Zealand Cash Trust (the 'Fund') is a for-profit unit trust established on 15 October 2015 in New Zealand under the Unit Trusts Act 1960. 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 fixed and floating income securities as an investment vehicle for individual Unitholders. Distributions are made up of income received from the investments received less expenses paid and allowances for future liabilities. All changes in the fair value of investments in the fixed and floating income securities, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund is governed by the Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 6 November 2015.

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

**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 period presented.

**Comparative period**

These are the Fund's first set of financial statements and are for the period 6 November 2015 to 31 March 2016. There are no comparative figures.

**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.

**Income recognition**

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

(a) Interest income

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

(b) Changes in fair value of financial assets and financial liabilities

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

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

(a) Classification

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

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

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial assets and financial liabilities on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

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

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

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

**(c) Recognition, derecognition and measurement**

Purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in profit or loss.

Financial assets and financial liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the ‘financial assets or financial liabilities at fair value through profit or loss’ category are presented in the Statement of Comprehensive Income within net changes in fair value of financial assets and financial liabilities at fair value through profit or loss in the period in which they arise.

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

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

**(d) Fair value estimation**

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded price.

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

**Receivables**

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

**Payables**

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

**Cash and cash equivalents**

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

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

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

**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 quarterly basis directly from the Fund within 20 Business Days of each Record Date, on or about the last Business Day in each of March, June, September and December of each 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 interest and gains or losses from its investments after the deduction of management fees. The Fund pays tax to cover the tax liability. 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 (GST)*

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

**Segment Information**

The Fund operates solely in the business of investing in New Zealand short term interest bearing securities and other cash and cash equivalent investments. The Fund received all its income from its investments. There was no individual investment that contributed 10% or more of income which the Fund received for the period ended 31 March 2016.

**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 PERIOD ENDED 31 MARCH 2016**

**1. TAXATION**

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Tax expense comprises:</b>	
Current tax expense	440
<b>Total tax expense</b>	<b><u>440</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:

	<b>For the Period ended 31 March 2016 \$'000</b>
<b>Income tax expense</b>	
Profit before tax	<u>(1,573)</u>
<b>Income tax using the statutory income tax rate 28%</b>	<b>440</b>
Net changes in fair value of financial assets	-
Non taxable income	-
Gross up of imputation credits	<u>-</u>
	-
Less imputation credits and other tax credits	-
Prior period adjustment	<u>-</u>
<b>Income tax expense as per Statement of Comprehensive Income</b>	<b><u>440</u></b>

**Imputation credit account (ICA)**

	<b>As at 31 March 2016 \$'000</b>
Imputation credits available for use in subsequent periods	180

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

**2. INVESTMENT SECURITIES AND BANK TERM DEPOSITS**

<b>Issuer</b>	<b>As at 31 Mar 2016 Fair Value NZD \$'000</b>
ASB BANK LTD 080319 FRN	10,027
NEW ZEALAND INLAND REVENUE 190416 RCD	9,278
SBS TERM DEPO 020516 3.65 TD	9,000
ANZ BANK NEW ZEALAND LTD 220319 FRN	5,554
KIWIBANK LIMITED 050916 FRN	5,031
CHINA CONS BK GR 160616 4.10 TD	4,157
BANK OF NEW ZEALAND 141016 3.30 TD	3,700
BANK OF NEW ZEALAND 020816 3.45 TD	3,500
KIWIBANK LTD 100916 FRN	3,514
ASB BANK LIMITED 060617 FRN	3,507
	<b>57,268</b>

The holdings disclosed above represent the top 10 investments by net market value as at balance date. The total value of investment securities held at fair value were \$67,230,000. The total value of bank term deposits were \$55,852,000.

Investments are classified either at inception as being at fair value through profit or loss or as loans and receivables. The Fund was seeded with an initial investment of \$121,581,000 from SuperLife superannuation scheme. The scheme is managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch, the Administration Manager and 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.

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured at the period ended 31 March 2016. There were no transfers between levels in the period ended 31 March 2016.

	<b>31 March 2016</b>			<b>Total \$'000</b>
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	
<b>Financial assets</b>				
Bank term deposits	-	55,852	-	55,852
<i>Financial assets designated as fair value through profit or loss</i>				
Discounted securities	-	18,973	-	18,973
Interest bearing securities	-	48,257	-	48,257

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

**4. EARNINGS PER UNIT**

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

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

	<b>For the Period ended 31 March 2016</b>
Profit for the period (\$'000)	1,133
Weighted average number of units ('000)	<u>41,820</u>
<b>Basic and diluted earnings per unit (cents per unit)</b>	<u><u>2.71</u></u>

**5. DISTRIBUTION PAYABLE TO UNITHOLDERS**

	<b>As at 31 March 2016 \$'000</b>
Distribution payable at the beginning of the period	-
Distribution accrued to Unitholders	1,129
Distributed to Unitholders	<u>-</u>
<b>Distribution payable at the end of the period</b>	<u><u>1,129</u></u>

**Dividends declared and not paid**

	<b>Dividend per unit (Cents per unit)</b>	<b>For the Period ended 31 March 2016</b>
March 2016 (paid April 2016)	2.70	1,129

**6. UNITHOLDERS' FUNDS**

As at 31 March 2016 there were 41,824,000 units on issue.

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

The number of units allotted during the period ended 31 March 2016 was 41,824,000 for total value of \$125,200,000.

The number of units redeemed during the period ended 31 March 2016 was NIL for total value of \$NIL.

	<b>As at 31 March 2016 '000</b>
<b>Movement in the number of units</b>	
Units on issue at beginning of the period	-
Subscriptions received during the period	41,824
Redemptions made during the period	<u>-</u>
<b>Units on issue at the end of the period</b>	<u><u>41,824</u></u>

The net asset value of each unit per the financial statements is \$2.99359. 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 PERIOD ENDED 31 MARCH 2016**

**7. MATURITY ANALYSIS**

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

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

	As at 31 Mar 2016		Total
	Within 12 months \$'000	Over 12 months \$'000	
<b>ASSETS</b>			
Cash and cash equivalents	3,142	-	3,142
Receivables	324	-	324
Investment securities designated at fair value through profit or loss	28,001	39,229	67,230
Bank term deposits	<u>34,637</u>	<u>21,215</u>	<u>55,852</u>
<b>Total Assets</b>	<b><u>66,104</u></b>	<b><u>60,444</u></b>	<b><u>126,548</u></b>
<b>LIABILITIES</b>			
Management fees payable	35	-	35
Taxation payable	180	-	180
Distribution payable to Unitholders	<u>1,129</u>	<u>-</u>	<u>1,129</u>
<b>Total Liabilities</b>	<b><u>1,344</u></b>	<b><u>-</u></b>	<b><u>1,344</u></b>

**8. RELATED PARTY TRANSACTIONS**

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

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board. The Fund was seeded by SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited. As at 31 March 2016, SuperLife superannuation scheme held 41,753,936 units valued at \$124,995,000 in the Fund. The Fund paid distributions of \$1,127,000 to SuperLife superannuation scheme. Of the balance, total remaining as payable at the end of the period is \$1,127,000.

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 interest earned on cash retained for the purpose of distribution prior to the distributions being made. Total gross management fees excluding rebates for the period ended 31 March 2016 amounted to \$160,000, with \$35,000 of outstanding accrued management fees due to the Manager at the end of the period.

The audit fee paid by the Manager for the audit of the Fund of the period ended 31 March 2016 was \$4,000.

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

**9. FINANCIAL RISK MANAGEMENT**

**Strategy in using financial instruments**

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in accordance with 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 liabilities whose carrying amounts approximate fair value.

**Financial instruments by category**

	<b>As at 31 March 2016 \$'000</b>
<u><i>Loans and receivables</i></u>	
Cash and cash equivalents	3,142
Receivables	324
<u><i>Financial assets and financial liabilities at fair value through profit and loss</i></u>	
Investment securities designated at fair value through profit or loss	67,230
<u><i>Other financial liabilities</i></u>	
Management fees payable	35
Distribution payable to Unitholders	1,129

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

**9a. Interest rate risk**

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

The Fund holds interest-bearing financial assets and financial liabilities, which are exposed to risks arising from the fluctuation in the market interest rates which impact its financial position and cash flows. Interest rate risk is actively managed within the terms of the investment guidance for the Fund as agreed with the Manager.

The majority of interest rate exposure arises on investment in debt securities.

In accordance with the Fund's Statement of Accounting Policies, the Investment Manager monitors and the Manager reviews the Fund's overall interest sensitivity on a regular basis.

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

	<b>As at 31 Mar 2016</b>					<b>Total \$'000</b>
	<b>Within 6 months \$'000</b>	<b>Between 6- 12 months \$'000</b>	<b>Between 1- 2 years \$'000</b>	<b>Between 2- 5 years \$'000</b>	<b>Over 5 years \$'000</b>	
<b>ASSETS</b>						
Cash and cash equivalents	3,142	-	-	-	-	3,142
Investment securities designated at fair value through profit or loss	28,002	12,961	7,220	19,047	-	67,230
Bank term deposits	<u>34,636</u>	<u>21,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,852</u>
<b>Total financial assets subject to interest rate risk</b>	<b><u>65,780</u></b>	<b><u>34,177</u></b>	<b><u>7,220</u></b>	<b><u>19,047</u></b>	<b><u>-</u></b>	<b><u>126,224</u></b>



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

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

The tables below show the sensitivity of the Fund's income statements to a reasonably possible change in interest rates with all other variables remaining constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates on:

- 1) The interest income for the period based on floating rate financial assets and financial liabilities held as at 31 March 2016.
- 2) Changes in fair value of investments for the period based on revaluing fixed rate financial assets as at 31 March 2016.

	As at 31 March 2016			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
	Cash and cash equivalents	314	(314)	-
Interest bearing securities	517	(517)	(40)	40

**9b. Credit Risk**

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

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

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

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets (including financial assets which are without an available credit rating), that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

	As at 31 March 2016				
	AAA TO AA- \$'000	A+ TO A- \$'000	BBB+ to B- \$'000	Not rated \$'000	Total \$'000
Interest bearing securities	25,342	18,310	4,605	-	48,257
Discounted securities	-	18,973	-	-	18,973
Bank term deposits	28,334	18,384	9,134	-	55,852
	<u>53,676</u>	<u>55,667</u>	<u>13,739</u>	<u>-</u>	<u>123,082</u>

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

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

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

**9c. Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Investment Manager monitors the Fund's liquidity position on a daily basis. Liquidity management is designed to ensure that the Fund has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal level of redemptions. The Investment Manager regularly monitors market volatility and redemption levels to establish the Fund's appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the trust deed. The Fund holds financial assets that are highly liquid. These financial assets can easily be realised and are therefore categorised as within six months of maturity.

**10. COMMITMENTS AND CONTINGENCIES**

The Fund had no commitments or contingencies as at 31 March 2016.

**11. 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 New Zealand Cash Trust

We have audited the accompanying financial statements of the New Zealand Cash Trust ("the Fund") on pages 316 to 329. 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 period 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 316 to 329 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of New Zealand Cash Trust as at 31 March 2016 and its financial performance and cash flows for the period 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, appearing as 'KPMG' in a stylized, cursive font.

27 May 2016  
Wellington

# Unitholder Information

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

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	0	0.00%	-	0.00%
1,001-5,000	0	0.00%	-	0.00%
5,001-10,000	2	40.00%	11,099	0.03%
10,001-50,000	2	40.00%	58,901	0.14%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	20.00%	41,753,936	99.83%
<b>TOTAL</b>	<b>5</b>	<b>100.00%</b>	<b>41,823,936</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	41,753,936	99.83
Craigs Investment Partners Limited	35,694	0.09
David Georges Andre Dromer	23,207	0.06
Philip Warren Horn	6,054	0.01
Stuart Cameron Walter Holehouse	5,045	0.01
	<b>41,823,936</b>	<b>100.00%</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 41,823,936.

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

	Beneficial	Non-Beneficial
Bevan Miller (appointed 27 August 2013)	482*	0
Tim Bennett (appointed 27 August 2013)	0	0
Guy Elliffe (Appointed 6 November 2015)	107,533*	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:

- 3.1.1(a) – Compliance with the Listing Rules
- 3.1.1(b) - Compliance with Takeover Provisions
- 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
- 7.1.11 – 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 Allotment within 5 business days
- 9.2.1 – Material Transactions with Related Parties
- 10.3.2 - Preliminary Announcements
- 10.4.1(d) - Annual and Half-Year Reports availability
- 10.4.2 - Half-Yearly reporting requirements
- 10.6.1(a) - Other Administrative Information
- 11.1.5 - Transfer of Relevant Interests in Securities

# 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 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
	Director	Link Market Services Limited <sup>11</sup>
Tim Bennett	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

<sup>11</sup> NZX divested its interest in Link Market Services Limited on 30 June 2015

<sup>12</sup> NZX divested its interest in Link Market Services Limited on 30 June 2015

<sup>13</sup> Appointed 6 November 2015

<sup>14</sup> Appointed 6 November 2015

<sup>15</sup> Resigned 6 November 2015



Smartshares Limited (a wholly owned subsidiary of NZX Limited)

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