



NZX 10 FUND

**FINANCIAL STATEMENTS
FOR THE PERIOD 1 APRIL 2016 TO 9 NOVEMBER 2016**

**BEING THE WIND-UP FINANCIAL STATEMENTS FOR
THE NZX 10 FUND WHICH WAS RESETTLED AS THE NZ TOP 10 FUND
ON 7 NOVEMBER 2016**

Presented by Smartshares Limited, Manager of the NZX 10 Fund

NZX 10 FUND

TABLE OF CONTENTS

	Page
Directory	1
Statement by the Manager	2
Financial Statements	
Statement of Comprehensive Income	3
Statement of Changes in Unitholders' Funds	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 16
Auditor's Report	17 - 18

NZX 10 FUND

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.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett
Guy R. Elliffe
A. John Williams

AUDITOR

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

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE TRUSTEE

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

THE INVESTMENT MANAGER

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

SOLICITOR

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

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

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.

NZX 10 FUND

Smartshares Limited (the 'Manager') and The New Zealand Guardian Trust Company Limited (the 'Trustee') were parties to a trust deed dated 7 May 1996 (the 'Trust Deed') which sets out the terms and conditions on which units in the group investment fund managed by the Manager will be offered for subscription, whether to the public or otherwise.

The Trust Deed provides that the group investment fund was established, at the request of the Manager, by the Trustee, under the Trustee Companies Act 1967 and the terms set out in the Trust Deed.

The Fund was established under the Trust Deed as the NZSE 10 Index Fund and is now known as NZX 10 Fund (the 'Fund').

On 26 October 2016 unitholders resolved by extraordinary resolution that the Fund would be resettled as a unit trust. As a result, on 7 November 2016, the Fund's assets were transferred to the NZ Top 10 Fund; the units in the Fund were then redeemed for units in the NZ Top 10 Fund. The Fund was terminated on 9 November 2016.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 9 November 2016, and the results of its financial performance and cash flows for the period ended 9 November 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 21 December 2016.

NZX 10 FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 9 NOVEMBER 2016

		Period Ended 9 November 2016 \$'000	Year Ended 31 March 2016 \$'000
	Note		
INCOME			
Dividend income		1,733	2,909
Securities lending income		11	22
Net changes in fair value of financial assets at fair value through profit or loss		<u>(2,182)</u>	<u>7,061</u>
Total income		<u>(438)</u>	<u>9,992</u>
EXPENSES			
Management fees expense	7	<u>280</u>	<u>339</u>
Total expenses		<u>280</u>	<u>339</u>
(Loss)/profit before tax		(718)	9,653
Income tax expense	1	<u>18</u>	<u>166</u>
(Loss)/profit after tax		(736)	9,487
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income		<u>(736)</u>	<u>9,487</u>
EARNINGS PER UNIT			
Basic and diluted (losses)/earnings per unit (cents per unit)	4	<u>(1.36)</u>	<u>20.16</u>

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

NZX 10 FUND

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS FOR THE PERIOD ENDED 9 NOVEMBER 2016

	Period Ended 9 November 2016 \$'000	Year Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the period/year	67,312	55,986
Total comprehensive (loss)/income for the period/year	<u>(736)</u>	<u>9,487</u>
Subscriptions from unitholders	9,647	6,385
Redemptions by unitholders	6 (76,090)	(2,136)
Distributions to unitholders	5 <u>(133)</u>	<u>(2,410)</u>
	<u>(66,576)</u>	<u>1,839</u>
Unitholders' funds at the end of the period/year	<u><u>-</u></u>	<u><u>67,312</u></u>

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

NZX 10 FUND

STATEMENT OF FINANCIAL POSITION AS AT 9 NOVEMBER 2016

		As At 9 November 2016 \$'000	As At 31 March 2016 \$'000
	Note		
ASSETS			
Cash and cash equivalents		-	2,469
Other current assets		-	15
Receivables		-	855
Investments in equity securities held at fair value through profit or loss	2	<u>-</u>	<u>67,168</u>
TOTAL ASSETS		<u>-</u>	<u>70,507</u>
LIABILITIES			
Management fees payable	7	-	34
Taxation payable		-	95
Distribution payable to unitholders	5	-	2,005
Funds held for unit purchases		<u>-</u>	<u>1,061</u>
TOTAL LIABILITIES		<u>-</u>	<u>3,195</u>
UNITHOLDERS' FUNDS		<u>-</u>	<u>67,312</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>-</u>	<u>70,507</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 21 December 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.

NZX 10 FUND

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 9 NOVEMBER 2016

	Period Ended 9 November 2016 \$'000	Year Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	2,585	2,749
Securities lending income received	14	22
<i>Cash was applied to:</i>		
Management fees paid	(314)	(335)
Taxation paid	(113)	(92)
Net cash flows from operating activities	<u>2,172</u>	<u>2,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	529	12,501
<i>Cash was applied to:</i>		
Purchase of investments	(4,603)	(14,089)
Net repayments to the Manager	-	(18)
Net cash flows from investing activities	<u>(4,074)</u>	<u>(1,606)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	3,059	2,588
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(1,488)	(42)
Distributions paid to unitholders	(2,138)	(2,018)
Net cash flows from financing activities	<u>(567)</u>	<u>528</u>
Net (decrease)/increase in cash and cash equivalents	(2,469)	1,266
Cash and cash equivalents at the beginning of the period/year	<u>2,469</u>	<u>1,203</u>
Cash and cash equivalents at the end of the period/year	<u>-</u>	<u>2,469</u>
Reconciliation of (loss)/profit after tax to net cash flows from operating activities		
(Loss)/profit after tax	(736)	9,487
Net changes in fair value of financial assets at fair value through profit or loss	2,182	(7,061)
(Decrease)/increase in taxation payable	(95)	74
(Decrease)/increase in management fees payable	(34)	4
Decrease/(increase) in receivables	855	(160)
Net cash flows from operating activities	<u>2,172</u>	<u>2,344</u>

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

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

GENERAL INFORMATION

The NZX 10 Fund (the 'Fund') was a for profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 7 May 1996. The Fund had been in operation since 11 June 1996.

The Fund was 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's units were quoted on the NZX Main Board. The Fund was a passive investment fund that tracked the S&P/NZX 10 Index (the 'Index'). As prescribed by the Trust Deed, the Fund invested in the securities included in the Index broadly in proportion to the weightings of the Index. Investments in equity securities were valued at fair value according to last traded market prices on the NZX Main Board (see Note 2).

On 26 October 2016 unitholders resolved by extraordinary resolution that the Fund would be resettled as a unit trust. As a result, on 7 November 2016, the Fund's assets were transferred to the NZ Top 10 Fund; the units in the Fund were then redeemed for units in the NZ Top 10 Fund. The Fund was terminated on 9 November 2016.

STATEMENT OF ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of the Fund have been prepared in accordance with NZ GAAP. They comply with 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 Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Measurement basis

The Fund is no longer considered a going concern as its assets were transferred to the NZ Top 10 Fund on 7 November 2016 and the Fund was terminated on 9 November 2016. As this Fund is no longer considered a going concern, its financial statements have been prepared on a realisation basis, with all assets and liabilities stated at fair value less cost of realisation at period end.

Reporting periods and comparatives

These are the Fund's last financial statements and are for the period from 1 April 2016 to 9 November 2016. The comparative figures are for the year ended 31 March 2016.

Financial assets at fair value through profit or loss

(a) Classification

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

(b) Recognition/derecognition

Purchases and sales of investments were recognised on the trade date – the date on which the Fund committed to purchase or sell the investment. Investments were derecognised when the rights to receive cash flows from the investments had expired or the Fund had transferred substantially all risks and rewards of ownership.

(c) Measurement

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

(d) Fair value determination

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

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

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.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or cash distributions to the unitholders.

Units

The Fund issued units, which provided the holder with a residual interest in the Fund. The units could be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Product Disclosure Statement, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

The units were 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 was 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 were valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

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

Distributions to holders of units

Distributions were made up of income received from the investments and security lending income less expenses paid and allowances for future liabilities. Income from investments held was attributed to unitholders on the basis of the number of units held at the record date of the unitholder distribution. The record date for the Fund was on or around the last business day of each of March and September in each year.

Taxation

The Fund was domiciled in New Zealand and was registered as a Portfolio Investment Entity ('PIE').

The Fund was liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from the investments in securities listed in Note 2 and securities lending income after the deduction of management fees. For securities subject to FDR, the Fund was liable for tax based on the market value of the security. With most of this income, the Fund was able to utilise imputation credits to satisfy the tax liability. The Fund paid tax to the extent that the imputation credits did not cover the tax liability in full. To the extent that imputation credits were available, distributions to unitholders would be fully imputed.

Deferred tax was 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 was measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund was not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

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

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

Segment information

The Fund operated solely in the business of investment management, investing in New Zealand equities. For the period ended 9 November 2016, four equity investments individually contributed 10% or more of the Fund's dividend income (31 March 2016: four equity investments). The individual dividend income received from these four equity investments was \$189,000, \$247,000, \$232,000 and \$407,000 (31 March 2016: \$598,000, \$679,000, \$411,000 and \$368,000).

Changes in accounting policies and accounting standards adopted during the period

(a) Changes in accounting policies

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

(b) New accounting standards adopted

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

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

1. TAXATION

	9 November 2016 \$'000	31 March 2016 \$'000
Tax expense comprises:		
Current tax expense	(18)	(166)
Total tax expense	(18)	(166)

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

Income tax expense	9 November 2016 \$'000	31 March 2016 \$'000
(Loss)/profit before tax	(718)	9,653
Income tax using the statutory income tax rate 28%	201	(2,703)
Net changes in fair value of financial assets	(611)	1,977
Gross up of imputation credits	(156)	(218)
	(566)	(944)
Less imputation credits and other tax credits	558	778
Tax losses written off	(10)	-
Income tax expense as per Statement of Comprehensive Income	(18)	(166)

Imputation credit account (ICA)

	9 November 2016 \$'000	31 March 2016 \$'000
Imputation credits available for use in subsequent periods	-	1,193

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

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

	9 November 2016		31 March 2016	
	Number of Shares	Fair value	Number of Shares	Fair value
	'000	\$'000	'000	\$'000
Underlying securities				
Auckland International Airport Limited	-	-	1,490	9,579
Contact Energy Limited	-	-	1,156	5,778
Fletcher Building Limited	-	-	1,108	8,740
Fisher & Paykel Healthcare Corporation Limited	-	-	904	8,862
Meridian Energy Limited	-	-	1,932	5,063
Ryman Healthcare Limited	-	-	746	6,228
Sky City Entertainment Group Limited	-	-	951	4,766
Sky Network Television Limited	-	-	624	3,109
Spark New Zealand Limited	-	-	2,935	10,712
Z Energy Limited	-	-	642	4,331
		<u>-</u>		<u>67,168</u>

All investments were designated at inception as being at fair value through profit or loss. The fair values of investments were calculated using the last traded market price at the reporting date. The investments were registered in the name of JBWere (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 of the Fund measured at fair value were categorised as level 1 in the hierarchy. There were no transfers between levels in the period ended 9 November 2016 (31 March 2016: none).

4. EARNINGS PER UNIT

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

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

	9 November 2016	31 March 2016
(Loss)/profit after tax (\$'000)	(736)	9,487
Weighted average number of units ('000)	<u>54,119</u>	<u>47,062</u>
Basic and diluted (losses)/earnings per unit (cents per unit)	<u>(1.36)</u>	<u>20.16</u>

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	9 November 2016 \$'000	31 March 2016 \$'000
Opening distribution payable	2,005	1,613
Distributions accrued to unitholders	133	2,410
Distributed to unitholders	(2,138)	(2,018)
Closing distribution payable	-	2,005

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	9 November 2016 \$'000	31 March 2016 \$'000
March 2015 (paid April 2015)	31/03/2015	1.69	-	780
September 2015 (paid October 2015)	31/03/2016	2.71	-	1,238
March 2016 (paid April 2016)	31/03/2016	1.97	980	-
September 2016 (paid October 2016)	31/03/2017	2.09	1,158	-
			2,138	2,018

Subdivision of units and resulting distribution

Prior to the resettlement of the Fund on 7 November 2016, a subdivision of units was effected in order to distribute residual imputation credits that had accrued in the Fund. The subdivision was a dividend for New Zealand income tax purposes, however there was no cash payment associated with the distribution. The subdivision resulted in one unit being issued for every one unit held at record date in the Fund. The units on issue in the Fund immediately following the subdivision were resettled into the new fund on the basis of two units held in the Fund for one unit in the new fund. The non-cash amount distributed was as follows:

	Distribution per unit (cents per unit)	9 November 2016 \$'000
November 2016	5.95	4,676

6. UNITHOLDERS' FUNDS

As at 9 November 2016 there were nil units on issue (31 March 2016: 49,833,000).

All issued units were fully paid and redeemable, and were quoted on the NZX Main Board. The Fund's net assets attributable to unitholders were 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 9 November 2016 was 6,750,000 (31 March 2016: 5,250,000) for total value of \$9,647,000 (31 March 2016: \$6,385,000). The number of units allotted on subdivision was 56,583,000 for nil consideration.

The number of units redeemed during the period ended 9 November 2016 was 113,166,000 (31 March 2016: 1,750,000) for total value of \$76,090,000 (31 March 2016: \$2,136,000).

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

6. UNITHOLDERS' FUNDS (Continued)

	9 November 2016 '000	31 March 2016 '000
Movement in the number of units		
Balance at the beginning of the period/year	49,833	46,333
Subscriptions received during the period/year	63,333	5,250
Redemptions made during the period/year	(113,166)	(1,750)
Units on issue at the end of the period/year	-	49,833

On 7 November 2016 the Fund resettled its assets into NZ Top 10 Fund. This was done by a redemption of 113,166,000 units for a total value of \$76,090,000 represented by:

	\$'000
Investments in equity securities held at fair value through profit or loss	74,581
Cash and cash equivalents	1,488
Receivables	21
	76,090

7. RELATED PARTY TRANSACTIONS

Key management personnel were 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 received management fees from the Fund. Under the Trust Deed the Manager pays the trustee, custodian, registrar and auditor on behalf of the Fund and receives all basket application and withdrawal fees and interest earned on cash at banks.

Total basket application and withdrawal fees for the period ended 9 November 2016 amounted to \$nil (31 March 2016: \$250).

Total direct purchase application fees for the period ended 9 November 2016 amounted to \$4,000 (31 March 2016: \$1,000).

The total interest earned on cash at banks for the period ended 9 November 2016 amounted to \$23,000 (31 March 2016: \$39,000).

Total gross management fees excluding rebates for the period ended 9 November 2016 amounted to \$280,000 (31 March 2016: \$339,000) with \$nil (31 March 2016: \$34,000) of outstanding accrued management fees due to the Manager at the end of the period.

As at 9 November 2016 the Fund had a receivable from the Manager of \$nil (31 March 2016: receivable \$15,000).

The Fund was party to a securities lending agreement at commercial arms length terms with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent were backed against the collateral of the borrower. As at 9 November 2016 the value of securities the Fund had on loan to NZCL was \$nil (31 March 2016: \$1,265,000).

Total security lending fees for the period ended 9 November 2016 amounted to \$11,000 (31 March 2016: \$22,000), with the accrued fees due to the Fund of \$nil (31 March 2016: \$2,000). The fees earned by the fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund had with NZCL. The other fifty percent was income of the Manager for administering the securities lending agreement.

The audit fee paid by the Manager for the audit of the Fund for the period ended 9 November 2016 was \$4,000 (31 March 2016: \$4,000).

SuperLife superannuation scheme, a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in this period between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SuperLife superannuation scheme to SuperLife Invest managed investment scheme, a scheme managed by Smartshares Limited, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 9 November 2016, the SuperLife Invest scheme held nil units valued at \$nil in the Fund. As at 31 March 2016, SuperLife superannuation scheme held 3,414,711 units valued at \$4,672,000 in the Fund.

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

7. RELATED PARTY TRANSACTIONS (Continued)

The Fund paid distributions of \$117,000 (31 March 2016: \$67,000) to SuperLife superannuation scheme. The distributions were paid prior to the transfer of investments from SuperLife superannuation scheme to SuperLife Invest scheme. Of the total, the balance remaining as payable at the end of the period was \$nil (31 March 2016: \$67,000).

The Fund subdivided its units on issue at a ratio of 1:1 on 7 November 2016 and distributed its residual imputation credits that had accrued in the Fund (refer to Note 5 'Subdivision of units and resulting distribution'). SuperLife Invest scheme received 5,629,585 units and \$130,000 imputation credits upon this event. These units were subsequently resettled into the new fund on the basis of two units held in the Fund for one unit in the new fund.

On 4 November 2016, units in the Fund held by unitholders with a non-NZ address were transferred from each unitholder to Smartshares Limited. Effective 7 November 2016, all assets of the Fund were transferred to the new fund. On 7 November 2016, the units held by Smartshares Limited on behalf of the unitholders were redeemed based on the 4 November 2016 NTA and the unitholders were subsequently paid out on 9 November by Smartshares Limited.

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilised 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 were recognised, in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss were short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	9 November 2016 \$'000	31 March 2016 \$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	-	2,469
Other current assets	-	15
Receivables	-	855
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	-	67,168
<u>Other financial liabilities</u>		
Management fees payable	-	34
Distribution payable to unitholders	-	2,005
Funds held for unit purchases	-	1,061

The Fund's activities exposed it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

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

Because the Fund tracked a New Zealand equity index and was fully invested in the index's underlying New Zealand equity securities, the value of the Fund would move up and down with the New Zealand market.

A 10% increase/decrease in equity prices as at 9 November 2016 would have increased/decreased net profit and unitholder funds by \$nil (31 March 2016: \$6,717,000).

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

8. FINANCIAL RISK MANAGEMENT (Continued)

8b. Credit risk

The Fund was 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 subjected the Fund to credit risk consisted primarily of cash and cash equivalents and receivables.

We consider the maximum credit risk of financial instruments was their carrying value. The risk of non-recovery of monetary assets was considered very low due to the quality of counterparties dealt with.

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

	9 November 2016 \$'000	31 March 2016 \$'000
Cash and cash equivalents	-	2,469
Other current assets	-	15
Receivables	-	855

Cash and cash equivalents

The Fund's cash and cash equivalents balances were held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at the reporting date.

	9 November 2016		31 March 2016	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	-	AA-	1,126	AA-
BNZ	-	AA-	1,343	AA-
	<u>-</u>		<u>2,469</u>	

8c. Liquidity risk

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

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

8d. Securities lending risk

A number of possible risks arose from the securities lending program implemented for the Fund. These included, but were not limited to, the risk that a borrower of securities would fail to deliver equivalent securities on termination of a loan or would 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 would 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 would result in errors, fraud or misconduct that would cause a loss to the Fund.

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

On 9 November 2016 the value of securities the Fund had on loan to NZCL was \$nil (31 March 2016: \$1,265,000).

NZX 10 FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 9 NOVEMBER 2016

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 9 November 2016 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING PERIOD

Since 9 November 2016, there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.



Independent auditor's report

To the Unitholders of NZX 10 Fund

We have audited the accompanying financial statements of NZX 10 Fund ("the fund") on pages 3 to 16. The financial statements comprise the statement of financial position as at 9 November 2016, the statements of comprehensive income, changes in unitholders funds and cash flows for the period 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.

Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.

NZX 10 FUND



Opinion

In our opinion, the financial statements on pages 3 to 16 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of NZX 10 Fund as at 9 November 2016 and its financial performance and cash flows for the period ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Emphasis of matter

We draw attention to the statement of accounting policies in the financial statements which describes that the going concern basis of preparing the financial statements has not been used because the fund was wound up on 9th November 2016. Our opinion is not qualified in respect of this matter.

A handwritten signature of the KPMG firm, written in black ink. The letters 'KPMG' are written in a stylized, cursive-like font.

21 December 2016

Wellington