

Booklet 4

BetaShares Australian Dividend Harvester Fund (managed fund) (ARSN 169 907 064)

BetaShares FTSE RAFI Australia 200 ETF (ARSN 155 637 219)

BetaShares Managed Risk Australian Share Fund (managed fund) (ARSN 602 666 384)

BetaShares S&P/ASX 200 Financials Sector ETF (ARSN 143 220 964)

BetaShares S&P/ASX 200 Resources Sector ETF (ARSN 143 220 795)

Annual Financial Report

30 June 2016

Booklet 4
Annual Financial Report
30 June 2016

Contents	Page
Directors' report	2
Auditor's independence declaration	5
Statements of comprehensive income	6
Statements of financial position	8
Statements of changes in equity	10
Statements of cash flows	11
Notes to the financial statements	14
Directors' declaration	52
Supplementary information	53
Independent auditor's report to the unitholders	54

Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of the following managed investment funds (the "Funds"), present their report together with the annual financial report of the Funds for the period ended 30 June 2016 and the auditor's report thereon.

Fund name	Referred to in this document as	Financial reporting period	ARSN
BetaShares Australian Dividend Harvester Fund (managed fund)	Australian Dividend Harvester Fund	1 July 2015 to 30 June 2016 (comparatives: 16 June 2014 to 30 June 2015)	169 907 064
BetaShares FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	1 July 2015 to 30 June 2016	155 637 219
BetaShares Managed Risk Australian Share Fund (managed fund) (formerly BetaShares Investment Fund No. 10) ²	Managed Risk Australian Share Fund	1 July 2015 to 30 June 2016 (comparatives: 10 November 2014 to 30 June 2015)	602 666 384
BetaShares S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	1 July 2015 to 30 June 2016	143 220 964
BetaShares S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF	1 July 2015 to 30 June 2016	143 220 795

²On 22 September 2015 the Fund changed its name from BetaShares Investment Fund No. 10 to BetaShares Managed Risk Australian Share Fund (managed fund).

Responsible Entity

The Responsible Entity of the Funds is BetaShares Capital Ltd (ABN 78 139 566 868). The Responsible Entity's registered office and principal place of business is Level 11, 50 Margaret Street, Sydney, NSW 2000.

Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure Statement and its Constitution.

The Funds did not have any employees during the period.

There were no significant changes in the nature of the Funds' activities during the period.

Directors

The following persons held office as directors of BetaShares Capital Ltd during the period or since the end of the period and up to the date of this report:

David Nathanson (appointed 21 September 2009)
Alex Vynokur (appointed 21 September 2009)
Howard Atkinson (appointed 2 March 2010, resigned 12 August 2015)
Taeyong Lee (appointed 12 August 2015)
Thomas Park (appointed 12 August 2015)

Directors' report (continued)

Review and results of operations

During the period, the Funds continued to invest in accordance with target asset allocations as set out in their governing documents and in accordance with the provisions of the Funds' Constitutions.

The results of operations of the Funds are disclosed in the statements of comprehensive income. The income distributions payable by each of the Funds are disclosed in the statements of financial position. The income distributions paid and payable by each of the Funds are disclosed in note 4 to the financial statements.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Funds that occurred during the financial period.

Matters subsequent to the end of the financial period

Since the end of the reporting period S&P/ASX 200 Resources Sector ETF's net asset value has changed by more than 10% due to changes in the fair value of investments held. This movement corresponds with the movement in the benchmark index that the fund seeks to track. More specifically the net asset value changed by (10.51%) whilst the underlying benchmark index changed by (10.69%).

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

- (i) the operations of the Funds in future financial years;
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Funds in future financial years.

Likely developments and expected results of operations

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure Statement and its Constitution.

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operation of the Funds and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Funds.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Funds in regard to insurance cover provided to either the officers of BetaShares Capital Ltd or the auditor of the Funds. So long as the officers of BetaShares Capital Ltd act in accordance with the Funds' Constitutions and the law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds. The auditor of the Funds is in no way indemnified out of the assets of the Funds.

Directors' report (continued)

Fees paid to and interests held in the Funds by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Funds' property during the period are disclosed in note 15 to the financial statements.

No fees were paid out of the Funds' property to the directors of the Responsible Entity during the period.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 15 to the financial statements.

Interests in the Funds

The movement in units on issue in the Funds during the period are disclosed in note 3 to the financial statements.

The value of the Funds' assets and liabilities is disclosed on the statements of financial position and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Funds are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars or nearest dollar

The Funds are entities of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars or nearest dollar, unless otherwise stated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors.



David Nathanson
Director

Sydney
27 September 2016



Alex Vynokur
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of BetaShares Capital Limited, the Responsible Entity for the Schemes:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial period ended 30 June 2016, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KM6

KPMG

T. Gilerman

Tanya Gilerman
Partner

Sydney

27 September 2016

Booklet 4
Statements of comprehensive income
For the periods ended 30 June 2016

Statements of comprehensive income	Notes	Australian Dividend	Australian Dividend	FTSE RAFI Australia	FTSE RAFI Australia	Managed Risk Australian Share Fund ²	Managed Risk Australian Share Fund ²
		Harvester Fund ²	Harvester Fund ²	200 ETF ²	200 ETF ²	30 June	30 June
		30 June 2016	30 June 2015	30 June 2016	30 June 2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income							
Dividend/distribution income		18,669	5,152	3,774	2,301	295	-
Interest income		27	13	1	1	1	-
Other income		62	-	1	6	-	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	(8,719)	(10,557)	(4,057)	1,267	(27)	-
Total net investment income/(loss)		10,039	(5,392)	(281)	3,575	269	-
Expenses							
Management fees	15	901	269	202	160	28	-
Expense recoveries	15	227	47	67	53	7	-
Transaction costs		9	69	10	6	-	-
Other expenses		74	24	-	-	3	-
Total operating expenses		1,211	409	279	219	38	-
Operating profit/(loss)		8,828	(5,801)	(560)	3,356	231	-
Finance costs attributable to unitholders							
Distributions to unitholders	4	(16,883)	(4,899)	(5,343)	(4,428)	(113)	-
Change in net assets attributable to unitholders (total comprehensive income)	3	(8,055)	(10,700)	(5,903)	(1,072)	118	-

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

² Refer to note 1 for the financial reporting period.

Booklet 4
Statements of comprehensive income
For the periods ended 30 June 2016
(continued)

Statements of comprehensive income	Notes	S&P/ASX 200 Financials	S&P/ASX 200 Financials	S&P/ASX 200 Resources	S&P/ASX 200 Resources
		Sector ETF ²	Sector ETF ²	Sector ETF ²	Sector ETF ²
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
Investment income					
Dividend/distribution income		1,178	1,119	467,958	616,434
Interest income		-	2	143	1,180
Other income		-	-	-	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	(3,094)	1,097	(1,221,372)	(3,004,168)
Total net investment income/(loss)		(1,916)	2,218	(753,271)	(2,386,554)
Expenses					
Management fees	15	77	86	28,592	54,225
Expense recoveries	15	-	-	-	-
Transaction costs		1	-	417	-
Other expenses		14	8	8,488	5,074
Total operating expenses		92	94	37,497	59,299
Operating profit/(loss)		(2,008)	2,124	(790,768)	(2,445,853)
Finance costs attributable to unitholders					
Distributions to unitholders	4	(1,043)	(1,013)	(227,727)	(491,473)
Change in net assets attributable to unitholders (total comprehensive income)	3	(3,051)	1,111	(1,018,495)	(2,937,326)

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

² Refer to note 1 for the financial reporting period.

Booklet 4
Statements of financial position
As at 30 June 2016

Statements of financial position	Notes	Australian Dividend	Australian Dividend	FTSE RAFI	FTSE RAFI	Managed Risk	Managed Risk
		Harvester Fund ²	Harvester Fund ²	Australia 200 ETF ²	Australia 200 ETF ²	Australian Share Fund ²	Australian Share Fund ²
		30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Assets							
Cash and cash equivalents	8	9,286	7,439	137	227	1,248	-
Financial assets held at fair value through profit or loss	6	196,625	97,855	85,806	56,712	24,102	-
Due from brokers - receivable for securities sold		-	-	-	-	2	-
Receivables		5,971	2,768	804	411	200	-
Total assets		211,882	108,062	86,747	57,350	25,552	-
Liabilities							
Financial liabilities held at fair value through profit or loss	7	714	-	-	6	69	-
Due to brokers - payable for securities purchased		-	-	-	-	12	-
Distributions payable	4	1,803	1,020	3,548	3,322	113	-
Other payables		185	110	65	22	21	-
Total liabilities (excluding net assets attributable to unitholders)		2,702	1,130	3,613	3,350	215	-
Net assets attributable to unitholders - liability	3	209,180	106,932	83,134	54,000	25,337	-

The above statements of financial position should be read in conjunction with the accompanying notes.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

² Refer to note 1 for the financial reporting period.

Booklet 4
Statements of financial position
As at 30 June 2016
(continued)

Statements of financial position	S&P/ASX 200 Financials Sector ETF ²		S&P/ASX 200 Financials Sector ETF ²		S&P/ASX 200 Resources Sector ETF ²		S&P/ASX 200 Resources Sector ETF ²	
	30 June 2016		30 June 2015		30 June 2016		30 June 2015	
	Notes	\$'000		\$'000		\$ ¹		\$ ¹
Assets								
Cash and cash equivalents	8	12		68		1,715		251,729
Financial assets held at fair value through profit or loss	6	23,677		17,845		6,485,681		11,420,826
Due from brokers - receivable for securities sold		-		-		-		-
Receivables		425		312		528		2,008
Total assets		24,114		18,225		6,487,924		11,674,563
Liabilities								
Financial liabilities held at fair value through profit or loss	7	-		43		-		738,224
Due to brokers - payable for securities purchased		41		-		-		-
Distributions payable	4	271		188		66,340		248,974
Other payables		8		10		5,919		4,525
Total liabilities (excluding net assets attributable to unitholders)		320		241		72,259		991,723
Net assets attributable to unitholders - liability	3	23,794		17,984		6,415,665		10,682,840

The above statements of financial position should be read in conjunction with the accompanying notes.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

² Refer to note 1 for the financial reporting period.

Statements of changes in equity

The Funds' net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Funds have no equity and no items of changes in equity have been presented for the current or comparative period.

Booklet 4
Statements of cash flows
For the periods ended 30 June 2016

Statements of cash flows	Notes	Australian Dividend	Australian Dividend	FTSE RAFI Australia	FTSE RAFI Australia	Managed Risk Australian Share Fund ²	Managed Risk Australian Share Fund ²
		Harvester Fund ²	Harvester Fund ²	200 ETF ²	200 ETF ²	30 June 2016	30 June 2015
		30 June 2016	30 June 2015	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities							
Proceeds from sale of financial instruments held at fair value through profit or loss		784,495	182,156	16,962	13,431	225	-
Payments for purchases of financial instruments held at fair value through profit or loss		(891,270)	(290,568)	(50,119)	(31,811)	(24,275)	-
Dividends/distributions received		15,479	2,407	3,383	2,161	98	-
Interest received		28	12	1	1	1	-
Other income received		62	-	1	6	-	-
Management fees paid		(853)	(205)	(170)	(162)	(11)	-
Transaction costs paid		(9)	(69)	(10)	(6)	-	-
Other expenses paid		(291)	(51)	(59)	(56)	(9)	-
Net cash inflow/(outflow) from operating activities	9	(92,359)	(106,318)	(30,011)	(16,436)	(23,971)	-
Cash flows from financing activities							
Proceeds from applications by unitholders		107,583	117,247	34,213	22,432	25,219	-
Payments for redemptions by unitholders		-	-	-	(4,027)	-	-
Distributions paid		(13,377)	(3,490)	(4,292)	(1,765)	-	-
Net cash inflow/(outflow) from financing activities		94,206	113,757	29,921	16,640	25,219	-
Net increase/(decrease) in cash and cash equivalents		1,847	7,439	(90)	204	1,248	-
Cash and cash equivalents at the beginning of the financial period		7,439	-	227	23	-	-
Cash and cash equivalents at the end of the financial period	8	9,286	7,439	137	227	1,248	-
Non-cash financing activities							
Units issued upon reinvestment of distributions		2,720	385	824	136	-	-

The above statements of cash flows should be read in conjunction with the accompanying notes.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

² Refer to note 1 for the financial reporting period.

Booklet 4
Statements of cash flows
For the periods ended 30 June 2016
(continued)

Statements of cash flows	Notes	S&P/ASX 200	S&P/ASX 200	S&P/ASX 200	S&P/ASX 200
		Financials	Financials	Resources	Resources
		Sector ETF ²	Sector ETF ²	Sector ETF ²	Sector ETF ²
		30 June	30 June	30 June	30 June
		2016	2015	2016	2015
		\$'000	\$'000	\$ ¹	\$ ¹
Cash flows from operating activities					
Proceeds from sale of financial instruments held at fair value through profit or loss		7,344	16,353	14,966,230	2,372,726
Payments for purchases of financial instruments held at fair value through profit or loss		(16,275)	(12,643)	(11,990,681)	-
Dividends/distributions received		1,065	1,125	467,958	616,434
Interest received		-	2	229	1,265
Management fees paid		(76)	(94)	(27,171)	(61,599)
Transaction costs paid		(1)	-	(417)	-
Other expenses paid		(14)	(9)	(7,094)	(5,369)
Net cash inflow/(outflow) from operating activities	9	(7,957)	4,734	3,409,054	2,923,457
Cash flows from financing activities					
Proceeds from applications by unitholders		14,068	12,646	10,664,431	5,274,361
Payments for redemptions by unitholders		(5,266)	(16,539)	(13,947,981)	(7,755,180)
Distributions paid		(901)	(943)	(375,518)	(452,490)
Net cash inflow/(outflow) from financing activities		7,901	(4,836)	(3,659,068)	(2,933,309)
Net increase/(decrease) in cash and cash equivalents		(56)	(102)	(250,014)	(9,852)
Cash and cash equivalents at the beginning of the financial period		68	170	251,729	261,581
Cash and cash equivalents at the end of the financial period	8	12	68	1,715	251,729
Non-cash financing activities					
Units issued upon reinvestment of distributions		59	43	34,870	23,774

The above statements of cash flows should be read in conjunction with the accompanying notes.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

² Refer to note 1 for the financial reporting period.

Contents of the notes to the financial statements

	Page
1 General information	14
2 Summary of significant accounting policies	14
3 Net assets attributable to unitholders	21
4 Distributions to unitholders	23
5 Net gains/(losses) on financial instruments held at fair value through profit or loss	25
6 Financial assets held at fair value through profit or loss	26
7 Financial liabilities held at fair value through profit or loss	27
8 Cash and cash equivalents	27
9 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	28
10 Financial risk management	29
11 Offsetting financial assets and financial liabilities	35
12 Fair value measurements	39
13 Derivative financial instruments	45
14 Auditor's remuneration	48
15 Related party transactions	49
16 Events occurring after the reporting period	51
17 Contingent assets and liabilities and commitments	51

1 General information

These financial statements cover the following managed investment funds ("the Funds"). The Funds are registered managed investment schemes under the *Corporations Act 2001*. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Funds commenced if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law or equity. The Funds may be terminated in accordance with the provisions of their Constitutions. The Funds are domiciled in Australia.

Abbreviated Fund name	Registered date	Commenced operations	Financial reporting period
Australian Dividend Harvester Fund	16 June 2014	29 October 2014	1 July 2015 to 30 June 2016 (comparatives: 16 June 2014 to 30 June 2015)
FTSE RAFI Australia 200 ETF	22 February 2012	10 July 2013	1 July 2015 to 30 June 2016
Managed Risk Australian Share Fund (managed fund) (formerly BetaShares Investment Fund No. 10) ²	16 June 2014	10 November 2015	1 July 2015 to 30 June 2016 (comparatives: 10 November 2014 to 30 June 2015)
S&P/ASX 200 Financials Sector ETF	3 May 2010	10 December 2010	1 July 2015 to 30 June 2016
S&P/ASX 200 Resources Sector ETF	3 May 2010	10 December 2010	1 July 2015 to 30 June 2016

²On 22 September 2015 the Fund changed its name from BetaShares Investment Fund No. 10 to BetaShares Managed Risk Australian Share Fund (managed fund).

The Responsible Entity of the Funds is BetaShares Capital Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 50 Margaret Street, Sydney, NSW 2000.

The financial statements were authorised for issue by the directors of the Responsible Entity on 27 September 2016. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in Australian dollars, which is the Funds' functional currency.

2 Summary of significant 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 all periods presented.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

The Funds operated solely in one segment which is the business of investment management within Australia.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Compliance with International Financial Reporting Standards

The financial statements of the Funds also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Use of estimates and judgement

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and regularly reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

Investment entity exception

The Funds meet the definition of an investment entity and therefore apply the investment entity amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interest in Other Entities* and IAS 27 *Separate Financial Statement*. IFRS 10 is applicable to all investees; among other things, it requires the consolidation of an investee if the Funds control the investee on the basis of de facto circumstances. An exception however exists where an entity meets the definition of an investment entity.

The Funds meet the definition of investment entity due to the following factors:

- (a) the Funds obtain funds from one or more unitholders for the purpose of providing the unitholders with investment management services;
- (b) the Funds commit to their unitholders that their business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) the Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

In making the above assessments, the Funds have multiple investments and multiple investors. Their investors are generally unrelated parties of the Funds. Although all units attributable to unitholders are recognized as debt rather than equity, unitholders invest for returns from capital appreciation, investment income, or both. Directors of the RE have concluded that the Funds meet the definition of investment entity.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Assessment of the Funds' investments as structured entities

The Funds have assessed whether the securities in which they invest are structured entities. The Funds have considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Funds have assessed whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Funds have concluded that the managed investment funds in which they invest are not structured entities.

(b) Changes in accounting policy and transition

There were no changes in the accounting policies of the Funds during the financial period.

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting periods and have not been early adopted by the Funds. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

(i) AASB 9 *Financial instruments* (and applicable amendments), (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The directors do not expect this to have a significant impact on the recognition and measurement of the Funds' financial instruments and the application of hedge accounting. The derecognition rules have not been changed from the previous requirements. The Funds have not yet decided when to adopt AASB 9.

(ii) AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Funds' main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Funds' accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

(d) Financial instruments

(i) Classification

The Funds' financial instruments are classified as financial assets or financial liabilities, and are recognised at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures and swaps are included under this classification. Only the Australian Dividend Harvester Fund and Managed Risk Australian Share Fund designate derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are classified as not held for trading purposes and which may be sold.

Financial assets 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 Funds' documented investment strategies. The Funds' policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Funds have transferred substantially all risks and rewards of ownership.

(iii) Measurement

- Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Funds measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

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 statements of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement (continued)

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets and liabilities is the last traded price.

- Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models or any other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position 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.

(v) Derivative financial instrument and hedge accounting

Australian Dividend Harvester Fund and Managed Risk Australian Share Fund uses derivative instruments in the form of index futures to hedge price risk exposure in fair value movements of listed securities held. Derivatives are initially recognised at fair value with any directly attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes are recognised in profit or loss in the period in which they occur. The Fund determines the an economic relationship exists between the hedged item (being listed securities) and the hedging instrument (being index futures), as the listed securities are either components of or inherently closely track the index used. The hedging ratio is determined in accordance with the Product Disclosure Statement and sources of ineffectiveness may arise when the portfolio of listed security returns differ from the total index return during the hedged period.

(e) Net assets attributable to unitholders

Units are normally redeemable only by unitholders being Authorised Participants at the unitholders' option (other unitholders only have a right to redeem units in special circumstances) and are accordingly therefore classified as financial liabilities. The units can be put back to the Funds at any time (subject to the *Corporations Act 2001* and the Funds' Constitutions) for cash and/or in-kind based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Funds.

2 Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. The carrying amount of cash approximates fair value.

(g) Investment income

Interest income is recognised in the statements of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statements of comprehensive income.

Trust distributions are recognised on an entitlements basis.

(h) Expenses

All expenses are recognised in the statements of comprehensive income on an accruals basis.

(i) Income tax

Under current legislation, the Funds are not subject to income tax as unitholders are presently entitled to the taxable income (including assessable realised capital gains) of the Funds.

(j) Distributions

In accordance with the Funds' Constitutions, the Funds distribute income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

The distributions are recognised in the statements of comprehensive income as finance costs attributable to unitholders.

(k) Change in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statements of comprehensive income.

2 Summary of significant accounting policies (continued)

(l) Due from/to brokers

Amounts due from/to brokers (if applicable) represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the period. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Funds will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(m) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(g) above. Amounts are generally received within 30 days of being recorded as receivables. The carrying amount of receivables approximates fair value.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Funds will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

(n) Payables

Payables include liabilities and accrued expenses owing by the Funds which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statements of financial position when unitholders are presently entitled to the distributable income.

(o) Applications and redemptions

Applications received for units in the Funds are recorded net of any entry fees payable (if applicable) prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable (if applicable) after the cancellation of units redeemed.

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as custodial services and investment management fees have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 55% to 85%; hence investment management fees, custodial fees and other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(q) Rounding of amounts

The Funds are entities of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars or nearest dollar, unless otherwise stated.

3 Net assets attributable to unitholders

As stipulated within the Constitution of each Fund, each unit represents a right to an individual share in the relevant Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit of a Fund has the same rights attaching to it as all other units of the Fund (subject to applicable ASIC relief).

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF
	30 June 2016 Units '000	30 June 2015 Units '000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 Units '000	30 June 2015 Units '000	30 June 2016 \$'000	30 June 2015 \$'000
Net assets attributable to unitholders								
Opening balance	4,716	-	106,932	-	4,513	3,002	54,000	36,531
Applications	5,100	4,700	107,583	117,247	3,000	1,800	34,213	22,432
Redemptions	-	-	-	-	-	(300)	-	(4,027)
Units issued upon reinvestment of distributions	128	16	2,720	385	71	11	824	136
Change in net assets attributable to unitholders	-	-	(8,055)	(10,700)	-	-	(5,903)	(1,072)
Closing balance	9,944	4,716	209,180	106,932	7,584	4,513	83,134	54,000

3 Net assets attributable to unitholders (continued)

	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF
	30 June 2016 Units '000	30 June 2015 Units '000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 Units '000	30 June 2015 Units '000	30 June 2016 \$'000	30 June 2015 \$'000
Net assets attributable to unitholders								
Opening balance	-	-	-	-	1,542	1,838	17,984	20,723
Applications	1,700	-	25,219	-	1,300	1,200	14,068	12,646
Redemptions	-	-	-	-	(500)	(1,500)	(5,266)	(16,539)
Units issued upon reinvestment of distributions	-	-	-	-	5	4	59	43
Change in net assets attributable to unitholders	-	-	118	-	-	-	(3,051)	1,111
Closing balance	1,700	-	25,337	-	2,347	1,542	23,794	17,984
					S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF
					30 June 2016 Units	30 June 2015 Units	30 June 2016 \$ ¹	30 June 2015 \$ ¹
Net assets attributable to unitholders								
Opening balance					2,427,039	2,922,150	10,682,840	16,077,309
Applications					2,600,000	1,000,000	10,664,431	5,274,361
Redemptions					(3,300,000)	(1,500,000)	(13,947,981)	(7,755,278)
Units issued upon reinvestment of distributions					9,307	4,889	34,870	23,774
Change in net assets attributable to unitholders					-	-	(1,018,495)	(2,937,326)
Closing balance					1,736,346	2,427,039	6,415,665	10,682,840

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

3 Net assets attributable to unitholders (continued)

Capital risk management

The Funds consider their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of eligible unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' Constitutions, the Responsible Entity has the discretion to reject an application for units and to extend the period allowed for satisfaction of redemption of units or reject or spread redemptions in specified circumstances.

4 Distributions to unitholders

The distributions for the period were as follows:

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF
	30 June 2016 \$'000	30 June 2016 CPU	30 June 2015 \$'000	30 June 2015 CPU	30 June 2016 \$'000	30 June 2016 CPU	30 June 2015 \$'000	30 June 2015 CPU
Distributions paid - July	1,050	21.33	-	-	-	-	-	-
Distributions paid - August	1,061	22.10	-	-	-	-	-	-
Distributions paid - September	1,150	21.54	-	-	-	-	-	-
Distributions paid - October	1,197	21.59	-	-	-	-	-	-
Distributions paid - November	1,372	21.59	211	23.50	-	-	-	-
Distributions paid - December	1,350	21.21	273	22.72	1,795	23.81	1,106	24.56
Distributions paid - January	1,396	21.22	367	22.94	-	-	-	-
Distributions paid - February	1,410	20.17	606	22.43	-	-	-	-
Distributions paid - March	1,536	20.48	666	22.17	-	-	-	-
Distributions paid - April	1,679	20.43	842	22.12	-	-	-	-
Distributions paid - May	1,879	20.58	914	21.71	-	-	-	-
Distributions payable - June	1,803	18.13	1,020	21.62	3,548	46.77	3,322	73.61
Total distributions	16,883		4,899		5,343		4,428	

4 Distributions to unitholders (continued)

	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF
	30 June 2016 \$'000	30 June 2016 CPU	30 June 2015 \$'000	30 June 2015 CPU	30 June 2016 \$'000	30 June 2016 CPU	30 June 2015 \$'000	30 June 2015 CPU
Distributions paid - December	-	-	-	-	772	37.81	825	38.56
Distributions payable - June	113	6.63	-	-	271	11.54	188	12.21
Total distributions	113				1,043		1,013	
					S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF
					30 June 2016 \$¹	30 June 2016 CPU	30 June 2015 \$¹	30 June 2015 CPU
Distributions paid - December					161,387	10.54	242,499	9.24
Distributions payable - June					66,340	3.82	248,974	10.26
Total distributions					227,727		491,473	

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

5 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Net gain/(loss) on financial instruments held for trading	(4,048)	1,073	(40)	(20)	(290)	-
Net gain/(loss) on financial instruments designated at fair value through profit or loss	(4,671)	(11,630)	(4,017)	1,287	263	-
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(8,719)	(10,557)	(4,057)	1,267	(27)	-
	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF		
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'	30 June 2015 \$'		
Net gain/(loss) on financial instruments held for trading	(2)	34	30,593	(66,794)		
Net gain/(loss) on financial instruments designated at fair value through profit or loss	(3,092)	1,063	(1,251,965)	(2,937,374)		
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(3,094)	1,097	(1,221,372)	(3,004,168)		

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

6 Financial assets held at fair value through profit or loss

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Held for trading						
Futures contracts	-	594	3	-	-	-
Total held for trading	-	594	3	-	-	-
Designated at fair value through profit or loss						
Listed unit trusts	182,935	97,261	6,812	4,302	3,387	-
Listed equity securities	13,690	-	78,991	52,410	20,715	-
Total designated at fair value through profit or loss	196,625	97,261	85,803	56,712	24,102	-
Total financial assets held at fair value through profit or loss	196,625	97,855	85,806	56,712	24,102	-
			S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF
			30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$^1	30 June 2015 \$^1
Designated at fair value through profit or loss						
Listed equity securities		23,265	17,845	6,485,681	11,420,826	
Listed unit trusts	412	-	-	-	-	-
Total financial assets held at fair value through profit or loss	23,677	17,845	6,485,681	11,420,826		

Certain Funds with listed equity securities held as collateral by the custodian for the Funds under the terms of the swap agreements are outlined in note 13.

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 10.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

7 Financial liabilities held at fair value through profit or loss

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Held for trading						
Futures contracts	714	-	-	6	69	-
Total financial liabilities held at fair value through profit or loss	714	-	-	6	69	-
			S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$^1	30 June 2015 \$^1
Held for trading						
Index swaps	-		43	-	738,224	
Total financial liabilities held at fair value through profit or loss	-	43	-	738,224		

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 10.

8 Cash and cash equivalents

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Cash and cash equivalents	9,286	7,439	137	227	1,248	-
Total	9,286	7,439	137	227	1,248	-

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

8 Cash and cash equivalents (continued)

	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$^1	30 June 2015 \$^1
Cash and cash equivalents			12	68
Total			12	68
			1,715	251,729
			1,715	251,729

9 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities						
Operating profit/(loss) for the period	8,828	(5,801)	(560)	3,356	231	-
Proceeds from sale of financial instruments held at fair value through profit or loss	784,495	182,156	16,962	13,431	225	-
Payments for the purchase of financial instruments held at fair value through profit or loss	(891,270)	(290,568)	(50,119)	(31,811)	(24,275)	-
Net (gains)/losses on financial instruments held at fair value through profit or loss	8,719	10,557	4,057	(1,267)	27	-
Net change in dividends/distributions receivable	(3,190)	(2,745)	-	-	(197)	-
Net change in interest receivable	1	(1)	-	-	-	-
Net change in receivables and other assets	(14)	(22)	(393)	(143)	(3)	-
Net change in payables and other liabilities	72	106	42	(2)	21	-
Net cash inflow/(outflow) from operating activities	(92,359)	(106,318)	(30,011)	(16,436)	(23,971)	-

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

9 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)

	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$^1	30 June 2015 \$^1
Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities				
Operating profit/(loss) for the period	(2,008)	2,124	(790,768)	(2,445,853)
Proceeds from sale of financial instruments held at fair value through profit or loss	7,344	16,353	14,966,230	2,372,726
Payments for the purchase of financial instruments held at fair value through profit or loss	(16,275)	(12,643)	(11,990,681)	-
Net (gains)/losses on financial instruments held at fair value through profit or loss	3,094	(1,097)	1,221,372	3,004,168
Net change in receivables and other assets	(113)	6	1,480	(84)
Net change in payables and other liabilities	1	(9)	1,421	(7,500)
Net cash inflow/(outflow) from operating activities	(7,957)	4,734	3,409,054	2,923,457

10 Financial risk management

The Funds are exchange traded managed funds that primarily invest in a portfolio of securities listed on the ASX as well as derivative instruments and cash and cash equivalents.

The Funds' activities expose them to a variety of financial risks which may include: market risk (including price risk, foreign exchange risk and interest rate risk), counterparty/credit risk and liquidity risk. The Funds use different methods to measure different types of risk to which they are exposed. Methods include sensitivity analysis in the case of price risk.

The Funds' overall risk management programs focus on ensuring compliance with the Funds' Product Disclosure Statements (PDSs) and seek to maximise the returns derived for the level of risk to which the Funds are exposed. Financial risk management is carried out by an investment manager under policies approved by the Board of Directors of the Responsible Entity (the Board).

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Funds' risk management framework. The Funds' overall risk management programs focus on ensuring compliance with the Funds' PDSs and investment guidelines.

Compliance with the Funds' PDSs, Constitutions and investment guidelines are reported to the Board on a regular basis.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity market prices will affect the Funds' income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

10 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk

The Funds are exposed to securities and derivatives price risk. This arises from investments held by the Funds for which prices in the future are uncertain. Securities and derivatives are classified in the statements of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Funds' overall market positions are reported to the Board on a regular basis.

Sensitivity analysis - price risk

A 10% movement at the report date of the market prices attributable to financial assets or financial liabilities by the relevant Funds would have the following impact on the Funds' operating profit/(loss) and net assets attributable to Unitholders. The calculation include the impact of any derivatives that may be held by a Fund. It is assumed that the relevant change occurs at the balance date.

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
+10% Price movement - impact on the Fund's operating profit/(loss) and net assets attributable to unitholders	11,485	5,614	8,581	5,671	1,429	-
-10% Price movement - impact on the Fund's operating profit/(loss) and net assets attributable to unitholders	(11,485)	(5,614)	(8,581)	(5,671)	(1,429)	-

10 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Sensitivity analysis - price risk (continued)

	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$¹	30 June 2015 \$¹
+10% Price movement - impact on the Fund's operating profit/(loss) and net assets attributable to unitholders	2,368	1,780	648,568	1,068,260
-10% Price movement - impact on the Fund's operating profit/(loss) and net assets attributable to unitholders	(2,368)	(1,780)	(648,568)	(1,068,260)

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Funds have no direct foreign exchange risk exposure as the Funds operate solely in Australia and all of the Funds' assets and liabilities are denominated in Australian currency.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates. Interest rate risk is not considered to be significant to the Funds other than their cash holdings.

The Funds are exposed to interest rate risk on their cash holdings. Interest income from cash holdings is earned at variable interest rates. Investments in cash holdings are at call.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds.

The S&P/ASX 200 Financials Sector ETF and S&P/ASX 200 Resources Sector ETF invested in derivative financial instruments in the form of a swap agreement with Credit Suisse Securities (Europe) Ltd. During July 2015 the index swap agreement ceased.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

10 Financial risk management (continued)

(b) Credit risk (continued)

(i) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA- or higher (as determined by Standard & Poor's or equivalent rating agency).

The custody of the Funds' assets is mainly concentrated with one counterparty, namely RBC Investor Services Trust. RBC Investor Services Trust is a wholly-owned subsidiary of the Royal Bank of Canada which is a member of a major securities exchange and at 30 June 2016 had a credit rating of AA- (S&P) and Aa3 (Moody's) (2015: AA- (S&P) and Aa3 (Moody's)). At 30 June 2016, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by RBC Investor Services Trust.

In accordance with the Funds' policy, the Responsible Entity monitors the Funds' credit position on a regular basis.

(ii) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(iii) Other

The Funds are not materially exposed to credit risks on other financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities.

The Funds are exposed to daily cash redemptions of redeemable units. They primarily hold investments that are traded in an active market and can be readily disposed of.

The following tables analyse the Funds' non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

10 Financial risk management (continued)

(c) Liquidity risk (continued)

	Australian Dividend Harvester Fund						Australian Dividend Harvester Fund					
	On demand	1-6 months	6-12 months	1-2 years	Total	On demand	1-6 months	6-12 months	1-2 years	Total		
	30 June	30 June	30 June	30 June	30 June	30 June	2015	30 June	30 June	30 June		
	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Distributions payable	-	1,810	-	-	1,810	-	1,024	-	-	-	1,024	
Other payables	-	178	-	-	178	-	106	-	-	-	106	
Net assets attributable to unitholders	209,180	-	-	-	209,180	106,932	-	-	-	-	106,932	
Contractual cash flows (excluding net settled derivatives)	209,180	1,988	-	-	211,168	106,932	1,130	-	-	-	108,062	
Net settled derivatives												
Futures contracts	-	714	-	-	714	-	-	-	-	-	-	
	-	714	-	-	714	-	-	-	-	-	-	
FTSE RAFI Australia 200 ETF												
	On demand	1-6 months	6-12 months	1-2 years	Total	On demand	1-6 months	6-12 months	1-2 years	Total		
	30 June	30 June	30 June	30 June	30 June	30 June	2015	30 June	30 June	30 June		
	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Distributions payable	-	3,549	-	-	3,549	-	3,322	-	-	-	3,322	
Other payables	-	64	-	-	64	-	22	-	-	-	22	
Net assets attributable to unitholders	83,134	-	-	-	83,134	54,000	-	-	-	-	54,000	
Contractual cash flows (excluding net settled derivatives)	83,134	3,613	-	-	86,747	54,000	3,344	-	-	-	57,344	
Net settled derivatives												
Futures contracts	-	-	-	-	-	-	6	-	-	-	6	
	-	-	-	-	-	-	6	-	-	-	6	

10 Financial risk management (continued)

(c) Liquidity risk (continued)

	Managed Risk Australian Share Fund					Managed Risk Australian Share Fund					
	On demand	1-6 months	6-12 months	1-2 years	Total	On demand	1-6 months	6-12 months	1-2 years	Total	
	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2015	30 June 2015	30 June 2015	30 June 2015	30 June 2015	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Due to brokers - payable for securities purchased	-	12	-	-	12	-	-	-	-	-	-
Distributions payable	-	113	-	-	113	-	-	-	-	-	-
Other payables	-	21	-	-	21	-	-	-	-	-	-
Net assets attributable to unitholders	25,337	-	-	-	25,337	-	-	-	-	-	-
Contractual cash flows (excluding net settled derivatives)	25,337	146	-	-	25,483	-	-	-	-	-	
Net settled derivatives											
Futures contracts	-	69	-	-	69	-	-	-	-	-	-
	-	69	-	-	69	-	-	-	-	-	-
S&P/ASX 200 Financials Sector ETF											
	On demand	1-6 months	6-12 months	1-2 years	Total	On demand	1-6 months	6-12 months	1-2 years	Total	
	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2015	30 June 2015	30 June 2015	30 June 2015	30 June 2015	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Due to brokers - payable for securities purchased	-	41	-	41	-	-	-	-	-	-
Distributions payable	-	271	-	-	271	-	188	-	-	188	-
Other payables	-	8	-	-	8	-	10	-	-	10	-
Net assets attributable to unitholders	23,794	-	-	-	23,794	17,984	-	-	-	17,984	-
Contractual cash flows (excluding net settled derivatives)	23,794	320	-	-	24,114	17,984	198	-	-	18,182	
Net settled derivatives											
Index swaps	-	-	-	-	-	-	43	-	-	43	-
	-	-	-	-	-	-	43	-	-	43	-

10 Financial risk management (continued)

(c) Liquidity risk (continued)

	S&P/ASX 200 Resources Sector ETF					S&P/ASX 200 Resources Sector ETF				
	On demand	1-6 months	6-12 months	1-2 years	Total	On demand	1-6 months	6-12 months	1-2 years	Total
	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2015	30 June 2015	30 June 2015	30 June 2015	30 June 2015
	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹
Distributions payable	-	66,425	-	-	66,425	-	249,086	-	-	249,086
Other payables	-	5,834	-	-	5,834	-	4,413	-	-	4,413
Net assets attributable to unitholders	6,415,665	-	-	-	6,415,665	10,682,840	-	-	-	10,682,840
Contractual cash flows (excluding net settled derivatives)	6,415,665	72,259	-	-	6,487,924	10,682,840	253,499	-	-	10,936,339
Net settled derivatives										
Index swaps	-	-	-	-	-	-	738,224	-	-	738,224
	-	-	-	-	-	-	738,224	-	-	738,224

11 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statements of financial position 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 gross and net positions of financial assets and liabilities that have been offset in the statements of financial position are disclosed in the first three columns of the tables below.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

11 Offsetting financial assets and financial liabilities (continued)

Australian
 Dividend
 Harvester Fund

	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position			Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
	Gross amounts of financial assets/ liabilities 30 June 2016 \$'000	Gross amounts off in the statements of financial position 30 June 2016 \$'000	Net amount of financial assets presented in the statements of financial position 30 June 2016 \$'000	Financial instruments (including non-cash collateral) 30 June 2016 \$'000	Stock and cash collateral pledged 30 June 2016 \$'000	Net amounts 30 June 2016 \$'000	Gross amounts of financial assets/ liabilities 30 June 2015 \$'000	Gross amounts off in the statements of financial position 30 June 2015 \$'000	Net amount of financial assets presented in the statements of financial position 30 June 2015 \$'000	Financial instruments (including non-cash collateral) 30 June 2015 \$'000	Stock and cash collateral pledged 30 June 2015 \$'000	Net amounts 30 June 2015 \$'000
Financial assets												
Futures contracts	-	-	-	-	-	-	594	-	594	-	-	594
Total	-	-	-	-	-	-	594	-	594	-	-	594
Financial liabilities												
Futures contracts	(714)	-	(714)	-	714	-	-	-	-	-	-	-
Total	(714)	-	(714)	-	714	-	-	-	-	-	-	-

11 Offsetting financial assets and financial liabilities (continued)

FTSE RAFI

Australia 200 ETF

	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position			Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
	Gross amounts of financial assets/ 30 June 2016 \$'000	Gross amounts set off in the statements of financial assets/ 30 June 2016 \$'000	Net amount of financial assets presented in the statements of financial position 30 June 2016 \$'000	Financial instruments (including non-cash collateral) 30 June 2016 \$'000	Stock and cash pledged 30 June 2016 \$'000	Net amounts 30 June 2016 \$'000	Gross amounts of financial liabilities/ 30 June 2015 \$'000	Gross amounts set off in the statements of financial liabilities/ 30 June 2015 \$'000	Net amount of financial liabilities presented in the statements of financial position 30 June 2015 \$'000	Financial instruments (including non-cash collateral) 30 June 2015 \$'000	Stock and cash pledged 30 June 2015 \$'000	Net amounts 30 June 2015 \$'000
Financial assets												
Futures contracts	3	-	3	-	-	3	-	-	-	-	-	-
Total	3	-	3	-	-	3	-	-	-	-	-	-
Financial liabilities												
Futures contracts	-	-	-	-	-	-	(6)	-	(6)	-	-	(6)
Total	-	-	-	-	-	-	(6)	-	(6)	-	-	(6)

11 Offsetting financial assets and financial liabilities (continued)

Managed Risk

Australian Share Fund

	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position			Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
	Gross amounts of financial liabilities 30 June 2016 \$'000	Gross amounts set off in the financial statements 30 June 2016 \$'000	Net amount of financial liabilities presented in the financial statements 30 June 2016 \$'000	Financial instruments (including non-cash collateral) 30 June 2016 \$'000	Stock and cash collateral 30 June 2016 \$'000	Net amounts 30 June 2016 \$'000	Gross amounts of financial liabilities 30 June 2015 \$'000	Gross amounts set off in the financial statements 30 June 2015 \$'000	Net amount of financial liabilities presented in the financial statements 30 June 2015 \$'000	Financial instruments (including non-cash collateral) 30 June 2015 \$'000	Stock and cash collateral 30 June 2015 \$'000	Net amounts 30 June 2015 \$'000
Financial liabilities												
Futures contracts	(69)	-	(69)	-	69	-	-	-	-	-	-	-
Total	(69)	-	(69)	-	69	-	-	-	-	-	-	-

S&P/ASX 200

Financials Sector ETF

	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position			Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
	Gross amounts of financial liabilities 30 June 2016 \$'000	Gross amounts set off in the financial statements 30 June 2016 \$'000	Net amount of financial liabilities presented in the financial statements 30 June 2016 \$'000	Financial instruments (including non-cash collateral) 30 June 2016 \$'000	Stock and cash collateral 30 June 2016 \$'000	Net amounts 30 June 2016 \$'000	Gross amounts of financial liabilities 30 June 2015 \$'000	Gross amounts set off in the financial statements 30 June 2015 \$'000	Net amount of financial liabilities presented in the financial statements 30 June 2015 \$'000	Financial instruments (including non-cash collateral) 30 June 2015 \$'000	Stock and cash collateral 30 June 2015 \$'000	Net amounts 30 June 2015 \$'000
Financial liabilities												
Index swaps	-	-	-	-	-	-	(43)	-	(43)	-	43	-
Total	-	-	-	-	-	-	(43)	-	(43)	-	43	-

11 Offsetting financial assets and financial liabilities (continued)

S&P/ASX 200

**Resources
Sector ETF**

	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position			Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
	Gross amounts of financial liabilities 30 June 2016 \$¹	Gross amounts off in the financial statements 30 June 2016 \$¹	Net amount of financial liabilities presented in the financial statements 30 June 2016 \$¹	Financial instruments (including non-cash collateral) 30 June 2016 \$¹	Stock and cash collateral pledged 30 June 2016 \$¹	Net amounts 30 June 2016 \$¹	Gross amounts of financial liabilities 30 June 2015 \$¹	Gross amounts off in the financial statements 30 June 2015 \$¹	Net amount of financial liabilities presented in the financial statements 30 June 2015 \$¹	Financial instruments (including non-cash collateral) 30 June 2015 \$¹	Stock and cash collateral pledged 30 June 2015 \$¹	Net amounts 30 June 2015 \$¹
Financial liabilities												
Index swaps	-	-	-	-	-	-	(738,224)	-	(738,224)	-	738,224	-
Total	-	-	-	-	-	-	(738,224)	-	(738,224)	-	738,224	-

12 Fair value measurements

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value estimation

The carrying amounts of the Funds' assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in statements of comprehensive income.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

12 Fair value measurements (continued)

Fair value estimation (continued)

(i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in note 2. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

12 Fair value measurements (continued)

Fair value estimation (continued)

Index swaps are measured by assessing the fair value of both the equity or index leg and the cash leg of the swaps by calculating the present value of any amounts payable at balance sheet date. The net resultant payable or receivable to or from the counterparty best reflects the fair value of the swap contract.

Index futures are measured by the quoted market prices, or binding dealer price quotations on the exchange where they are listed or held.

(iii) Recognised fair value measurements

The tables below set out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

	Australian Dividend Harvester Fund				Australian Dividend Harvester Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2016	2016	2016	2016	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Financial assets held for trading:								
Futures contracts	-	-	-	-	594	-	-	594
Financial assets designated at fair value through profit or loss:								
Listed unit trusts	182,935	-	-	182,935	97,261	-	-	97,261
Listed equity securities	13,690	-	-	13,690	-	-	-	-
Total	196,625	-	-	196,625	97,855	-	-	97,855
Financial liabilities								
Financial assets held for trading								
Futures contracts	714	-	-	714	-	-	-	-
Total	714	-	-	714	-	-	-	-

12 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements (continued)

	FTSE RAFI Australia 200 ETF				FTSE RAFI Australia 200 ETF			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2016	2016	2016	2016	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Financial assets held for trading:								
Futures contracts	3	-	-	3	-	-	-	-
Financial assets designated at fair value through profit or loss:								
Listed unit trusts	6,812	-	-	6,812	4,302	-	-	4,302
Listed equity securities	78,991	-	-	78,991	52,374	-	36	52,410
Total	85,806	-	-	85,806	56,676	-	36	56,712
Financial liabilities								
Financial assets held for trading								
Futures contracts	-	-	-	-	6	-	-	6
Total	-	-	-	-	6	-	-	6
	Managed Risk Australian Share Fund				Managed Risk Australian Share Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2016	2016	2016	2016	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Financial assets designated at fair value through profit or loss:								
Listed unit trusts	3,387	-	-	3,387	-	-	-	-
Listed equity securities	20,715	-	-	20,715	-	-	-	-
Total	24,102	-	-	24,102	-	-	-	-
Financial liabilities								
Financial assets held for trading								
Futures contracts	69	-	-	69	-	-	-	-
Total	69	-	-	69	-	-	-	-

12 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements (continued)

	S&P/ASX 200 Financials Sector ETF				S&P/ASX 200 Financials Sector ETF			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2016	2016	2016	2016	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Financial assets designated at fair value through								
Listed equity securities	23,265	-	-	23,265	17,845	-	-	17,845
Listed unit trusts	412	-	-	412	-	-	-	-
Total	23,677	-	-	23,677	17,845	-	-	17,845
Financial liabilities								
Financial assets held for trading								
Index swaps	-	-	-	-	-	43	-	43
Total	-	-	-	-	-	43	-	43
S&P/ASX 200 Resources Sector ETF								
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2016	2016	2016	2016	2015	2015	2015	2015
	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹	\$ ¹
Financial assets								
Financial assets designated at fair value through								
Listed equity securities	6,485,681	-	-	6,485,681	11,416,990	-	3,836	11,420,826
Total	6,485,681	-	-	6,485,681	11,416,990	-	3,836	11,420,826
Financial liabilities								
Financial assets held for trading								
Index swaps	-	-	-	-	-	738,224	-	738,224
Total	-	-	-	-	-	738,224	-	738,224

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

12 Fair value measurements (continued)

Fair value estimation (continued)

(iv) Transfers between levels

The Funds listed below had transfers between levels during the period ended 30 June 2016 and 30 June 2015.

	Level 1 30 June 2016 \$'000	Level 2 30 June 2016 \$'000	Level 3 30 June 2016 \$'000	Level 1 30 June 2015 \$'000	Level 2 30 June 2015 \$'000	Level 3 30 June 2015 \$'000
FTSE RAFI Australia 200 ETF						
Transfers between levels 1 and 3:						
Listed equity securities	-	-	-	(22)	-	22
S&P/ASX 200 Resources Sector ETF						
Transfers between levels 1 and 3:						
Listed equity securities	-	-	-	(22,504)	-	22,504

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

12 Fair value measurements (continued)

Fair value estimation (continued)

(v) Movement in level 3 instruments

The following table presents the Funds that had movement in level 3 instruments for the periods ended 30 June 2016 and 30 June 2015 by class of financial instrument:

	Listed equity securities		Listed equity securities	
	FTSE RAFI	FTSE RAFI	S&P/ASX 200	S&P/ASX 200
	Australia 200	Australia 200	Resources	Resources
	ETF	ETF	Sector ETF	Sector ETF
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	\$'000	\$'000	\$¹	\$¹
Opening balance		36	-	3,836
Purchases	9	43	-	-
Sales	(13)	(3)	(1,055)	(788)
Transfers into/(out) from level 3	-	22	-	22,504
Gains/(losses) recognised in profit or loss	(32)	(26)	(2,781)	(17,880)
Closing balance		36	-	3,836
Total gains/(losses) for the period included in the statements of comprehensive income for financial assets and liabilities held at the end of the period	(32)	(26)	(2,781)	(17,880)

(vi) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current period.

13 Derivative financial instruments

In the normal course of business certain Funds may enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

13 Derivative financial instruments (continued)

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Funds' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Funds.

Certain Funds hold the following derivative instruments:

Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange.

Swaps

An index swap is an agreement between two parties to exchange their obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

The index swap agreements relating to S&P/ASX 200 Financials Sector ETF and S&P/ASX 200 Resources Sector ETF ceased in July 2015.

13 Derivative financial instruments (continued)

The following Funds held derivative instruments (amounts in positive indicates long/buy and amounts in negative indicates short/sell):

	Fair values			Fair values		
	Contract/ notional	Assets 30 June 2016 \$'000	Liabilities 30 June 2016 \$'000	Contract/ notional	Assets 30 June 2015 \$'000	Liabilities 30 June 2015 \$'000
Australian Dividend Harvester Fund						
Futures contracts	(80,099)	-	714	(46,279)	594	-
	(80,099)	-	714	(46,279)	594	-
FTSE RAFI Australia 200 ETF						
Futures contracts	647	3	-	405	-	6
	647	3	-	405	-	6
Managed Risk Australian Share Fund						
Futures contracts	(9,705)	-	69	-	-	-
	(9,705)	-	69	-	-	-

13 Derivative financial instruments (continued)

S&P/ASX 200 Financials Sector ETF	Fair values			Fair values		
	Contract/ notional	Assets 30 June 2016 \$'000	Liabilities 30 June 2016 \$'000	Contract/ notional	Assets 30 June 2015 \$'000	Liabilities 30 June 2015 \$'000
	30 June	2016	2016	30 June	2015	2015
	2016	\$'000	\$'000	2015	\$'000	\$'000
Index swaps	-	-	-	17,327	-	43
	-	-	-	17,327	-	43
S&P/ASX 200 Resources Sector ETF	Fair values			Fair values		
	Contract/ notional	Assets 30 June 2016 \$¹	Liabilities 30 June 2016 \$¹	Contract/ notional	Assets 30 June 2015 \$¹	Liabilities 30 June 2015 \$¹
	30 June	2016	2016	30 June	2015	2015
	2016	\$¹	\$¹	2015	\$¹	\$¹
Index swaps	-	-	-	13,704,879	-	738,224
	-	-	-	13,704,879	-	738,224

14 Auditor's remuneration

During the period the following fees were paid or payable for services provided by the auditor of the Funds. Audit fees were borne by the Responsible Entity:

KPMG	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2016
	\$	\$	\$	\$	\$	\$
<i>Audit and other assurance service</i>						
Audit and review of financial reports	7,625	8,100	5,020	4,995	5,420	1,000
Audit of compliance plan	1,200	1,800	1,200	1,800	1,200	500
Total remuneration of audit and other assurance services	8,825	9,900	6,220	6,795	6,620	1,500

¹ Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in Instrument 2016/191 to round to the nearest thousand dollars.

14 Auditor's remuneration (continued)

KPMG	S&P/ASX 200	S&P/ASX 200	S&P/ASX 200	S&P/ASX 200
	Financials	Financials	Resources	Resources
	Sector ETF	Sector ETF	Sector ETF	Sector ETF
Audit and other assurance service				
Audit and review of financial reports	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Audit of compliance plan	\$ 7,625	\$ 8,100	\$ 7,625	\$ 8,100
Total remuneration of audit and other	1,200	1,800	1,200	1,800
	8,825	9,900	8,825	9,900

15 Related party transactions

Responsible entity

The Responsible Entity of the Funds is BetaShares Capital Ltd.

Key management personnel

The Funds do not employ personnel in their own right. However, the Funds are required to have an incorporated Responsible Entity to manage the activities and this is considered to be key management personnel. The directors of the Responsible Entity, which are key management personnel of the Responsible Entity, during or since the end of the financial period are:

(a) Directors

Executive Directors: Non-Executive Directors:

David Nathanson (appointed 21 September 2009)	Howard Atkinson (appointed 2 March 2010, resigned 12 August 2015)
Alex Vynokur (appointed 21 September 2009)	Taeyong Lee (appointed 12 August 2015)
	Thomas Park (appointed 12 August 2015)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the financial period.

15 Related party transactions (continued)

(b) Other key management personnel (continued)

Responsible Entity's management fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Funds' constitutions. The Responsible Entity's fees comprise a management fee and (if applicable) expense recoveries (after taking account of GST and reduced input tax credits), which are calculated as a percentage of the net asset value of the Funds and are disclosed in the statements of comprehensive income. The following table discloses the Responsible Entity's fees for 30 June 2016 and 30 June 2015 as there has been no change in the fees during the period:

Funds	Management fee %	Expense recoveries %
Australian Dividend Harvester Fund	0.65	0.25
FTSE RAFI Australia 200 ETF	0.30	0.10
Managed Risk Australian Share Fund	0.39	0.10
S&P/ASX 200 Financials Sector ETF	0.39	-
S&P/ASX 200 Resources Sector ETF	0.39	-

The transactions during the period and amounts payable at period end between the Funds and the Responsible entity were as follows:

	Australian Dividend Harvester Fund	Australian Dividend Harvester Fund	FTSE RAFI Australia 200 ETF	FTSE RAFI Australia 200 ETF	Managed Risk Australian Share Fund	Managed Risk Australian Share Fund
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$
Management fees expensed to the Responsible Entity	901,441	269,359	201,546	159,827	28,440	-
Management fees payable to the Responsible Entity at reporting date	111,882	64,150	47,827	16,072	16,782	-
Expense recoveries expensed to the Responsible Entity	227,370	46,922	67,181	53,876	7,292	-
Expense recoveries payable to the Responsible Entity as at reporting date	29,261	14,362	15,942	5,357	4,303	-

15 Related party transactions (continued)

(b) Other key management personnel (continued)

	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Financials Sector ETF	S&P/ASX 200 Resources Sector ETF	S&P/ASX 200 Resources Sector ETF
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$
Management fees expensed to the Responsible	76,977	85,750	28,592	54,225
Management fees payable to the Responsible	8,377	6,668	5,834	4,413
Expense recoveries expensed to the Responsible	-	-	-	-
Expense recoveries payable to the Responsible	-	-	-	-

Related party unitholdings

Parties related to the Funds (including BetaShares Capital Ltd and other schemes managed by BetaShares Capital Ltd), held no units in the Funds during the financial period.

16 Events occurring after the reporting period

Since the end of the reporting period S&P/ASX 200 Resources Sector ETF's net asset value has changed by more than 10% due to changes in the fair value of investments held. This movement corresponds with the movement in the benchmark index that the fund seeks to track. More specifically the net asset value changed by (10.51%) whilst the underlying benchmark index changed by (10.69%).

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Funds disclosed in the statements of financial position as at 30 June 2016 or on the results and cash flows of the Funds for the period ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

Directors' declaration

BetaShares Capital Ltd present the Directors' Declaration in respect of the following funds:

BetaShares Australian Dividend Harvester Fund (managed fund)
BetaShares FTSE RAFI Australia 200 ETF
BetaShares Managed Risk Australian Share Fund (managed fund) (formerly BetaShares Investment Fund No. 10)
BetaShares S&P/ASX 200 Financials Sector ETF
BetaShares S&P/ASX 200 Resources Sector ETF

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of the Funds:

- (a) the financial statements and notes set out on pages 6 to 51 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Funds' financial positions as at 30 June 2016 and of their performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

The directors draw attention to note 2(a) of the financial report which contains a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of BetaShares Capital Ltd.



David Nathanson
Director

Sydney
27 September 2016



Alex Vynokur
Director

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Independent auditor's report to the unitholders of the following Schemes ("the Schemes"):

BetaShares Australian Dividend Harvester Fund (managed fund)
BetaShares FTSE RAFI Australia 200 ETF
BetaShares Managed Risk Australian Share Fund (managed fund) (formerly BetaShares Investment Fund No.10)
BetaShares S&P/ASX 200 Financials Sector ETF
BetaShares S&P/ASX 200 Resources Sector ETF

Report on the financial report

We have audited the accompanying financial report of the Schemes, which comprises the statements of financial position as at 30 June 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of BetaShares Capital Limited ("the Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the

directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Schemes' financial position, and of their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Schemes is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Schemes' financial position as at 30 June 2016 and of their performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).



KPMG



Tanya Gilerman

Partner

Sydney

27 September 2016