



Aspiring Asset
Management Ltd

Financial Statements

For the year ended 31 March 2018

Table of contents

Manager's Statement.....	3
Additional Unitholder Information.....	3
Statement of Comprehensive Income.....	4
Statement of Changes in Unitholders Funds.....	5
Balance Sheet.....	6
Cash Flow Statement.....	7
General information.....	8
Summary of significant accounting policies.....	8
Critical accounting estimates and judgements.....	14
Commitments and contingent liabilities.....	14
Related Parties.....	15
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss.....	17
Financial instruments by category.....	17
Reconciliation of profit to net cash outflow from operating activities.....	19
Derivative financial instruments.....	19
Financial risk management.....	21
Events occurring after the balance sheet date.....	31
Auditor's report.....	32

Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of The Aspiring Fund as at 31 March 2018 and its results for the year ended on that date in accordance with the requirements of The Aspiring Fund Trust Deed dated 19 December 2005 and amended on 17 September 2015.

There are reasonable grounds to believe that The Aspiring Fund will be able to pay its debts as and when they fall due.

Director



Campbell Stuart

Director



Lance Reynolds

Aspiring Asset Management Limited
25 July 2018

Additional Unitholder Information

Notice of Trust Deed Amendment

Under clause 32.1 of the Trust Deed governing The Aspiring Fund and the Financial Markets Conduct Act 2013 ('FMC Act'), the Manager, Aspiring Asset Management Limited is required to advise Unitholders in summary form of any amendments to the Trust Deed.

The Trust Deed was amended on 17 September 2015 to align with the requirements of the FMC Act, and entry into the FMC Regime.

Statement of Comprehensive Income

		Year Ended	
		31 March 2018	31 March 2017
<i>Income</i>	<i>Notes</i>	<i>\$</i>	<i>\$</i>
Interest income		2,579,731	1,879,393
Dividend income		7,084,332	7,445,911
Net gain or (loss) on financial assets and financial liabilities at fair value through profit or loss	6	24,635,705	29,101,519
Net foreign currency gain or (loss) on cash and cash equivalents		(1,608,825)	(1,340,014)
Net changes in fair value of financial instruments held at fair value through profit or loss		23,026,880	27,761,505
Other income		26,412	67,688
Total income		32,717,355	37,154,497
<i>Expenses</i>			
Management fees	5.2	3,739,612	3,177,097
Management fee rebates		(2,705)	(5,307)
Performance fees	5.2	3,882,882	2,575,160
Custody expenses		161,799	130,861
Supervisor fees	5.2	223,437	191,993
Audit fees		31,395	31,395
Auditor's other remuneration - taxation services		-	(9,225)
Administration fees		319,623	273,439
Brokerage expense		2,201,998	2,810,553
Other expenses		(5,084)	47,178
Total operating expenses		10,552,957	9,223,144
Profit and total comprehensive income attributable to Unitholders		22,164,398	27,931,353

The accompanying notes are an integral part of these Financial Statements.

Statement of Changes in Unitholders Funds

	Year Ended	
	31 March 2018	31 March 2017
	\$	\$
Unitholders funds at the beginning of the year	340,696,411	285,667,490
Profit and total comprehensive income attributable to Unitholders	22,164,398	27,931,353
Proceeds from units issued	52,270,471	53,544,748
Redemption of units	(33,196,723)	(26,775,937)
Resident and foreign withholding tax deducted	(54,400)	(47,562)
Unitholder tax rebates/(liabilities)	564,943	376,319
Movement in Unitholder funds for the year	41,748,689	55,028,921
Unitholders funds at the end of the year	382,445,100	340,696,411

	Year Ended	
	31 March 2018	31 March 2017
	Units	Units
<i>Units on issue</i>		
Units on issue at the beginning of the year	106,401,994	97,588,019
Units issued	15,429,231	17,577,831
Units redeemed	(9,802,867)	(8,763,856)
Balance at the end of the year	112,028,358	106,401,994

The accompanying notes are an integral part of these Financial Statements.

Balance Sheet

<i>Assets</i>	<i>Notes</i>	<i>As at</i>	
		<i>31 March 2018</i>	<i>31 March 2017</i>
<i>Current assets</i>		<i>\$</i>	<i>\$</i>
Cash and cash equivalents		36,185,539	34,502,141
Unitholder tax rebates receivable		565,210	380,223
Other receivables		5,226,622	6,663,057
Due from brokers		8,895,757	2,499,689
Financial assets held at fair value through profit or loss	7	342,016,642	304,714,929
Total assets		392,889,770	348,760,039

<i>Current liabilities</i>	<i>Notes</i>	<i>As at</i>	
		<i>31 March 2018</i>	<i>31 March 2017</i>
		<i>\$</i>	<i>\$</i>
Related party payables	5.2	382,773	975,592
Other payables		4,300,922	3,094,536
Due to brokers		5,174,710	3,848,133
Financial liabilities held at fair value through profit or loss	7	585,998	141,463
Unitholder tax liabilities payable		267	3,904
Total liabilities		10,444,670	8,063,628
Unitholders funds		382,445,100	340,696,411

The accompanying notes are an integral part of these Financial Statements.

The Directors of Aspiring Asset Management Limited authorised these Financial Statements for issue on 25 July 2018.

Director 

Campbell Stuart

Director 

Lance Reynolds

Cash Flow Statement

		Year ended	
		31 March 2018	31 March 2017
<i>Cash flows from operating activities</i>	<i>Notes</i>	<i>\$</i>	<i>\$</i>
Proceeds from sale of financial instruments held at fair value through profit or loss		781,684,733	611,525,045
Dividends and distributions		7,024,672	7,186,283
Interest income		2,483,585	1,668,364
Other income		26,412	67,688
Purchase of financial instruments held at fair value through profit or loss		(798,969,764)	(672,603,256)
Transaction costs on purchases and sales of financial instruments held at fair value through profit or loss		(2,179,206)	(2,835,549)
Operating expenses		(8,948,348)	(6,267,237)
Net cash (outflow)/inflow from operating activities	8	(18,877,916)	(61,258,662)

		Year ended	
		31 March 2018	31 March 2017
<i>Cash flows from financing activities</i>	<i>Notes</i>	<i>\$</i>	<i>\$</i>
Proceeds from units issued		53,862,712	52,425,458
Redemption of units		(31,985,767)	(26,363,821)
Resident and foreign withholding tax deducted (post PIE election)		(54,400)	(47,562)
Unitholder tax liability/rebate		376,319	(765,142)
Net cash inflow/(outflow) from financing activities		22,198,864	25,248,933
Net (decrease)/increase in cash and cash equivalents		3,320,948	(36,009,729)
Cash and cash equivalents at the beginning of the financial year		34,502,141	71,847,534
Foreign exchange (losses)/gains from cash and cash equivalents		(1,637,550)	(1,335,664)
Cash and cash equivalents at the end of the financial year	7	36,185,539	34,502,141

The accompanying notes are an integral part of these Financial Statements.

1. General information

Reporting Entity

The reporting entity included in these Financial Statements is The Aspiring Fund and is referred to throughout these Financial Statements as the “Trust”.

The Trust was created in New Zealand under a Master Trust Deed executed by Aspiring Asset Management Limited on 19 December 2005 and a Unit Trust Establishment Deed between Aspiring Asset Management Limited and The New Zealand Guardian Trust Company Limited dated 19 December 2005. The Trust commenced operation on 1 February 2006. The Trust Deed was subsequently amended on 17 September 2015 to align with the requirements of the FMC Act, and entry into the FMC Regime.

The Trust invests mostly in Australasian listed securities but may invest in any form of real and personal property. This may include foreign shares, investments in unlisted entities, underwriting arrangements, debt securities, property and derivatives.

The registered office for Aspiring Asset Management Limited is at the offices of Kensington Swan, 89 The Terrace, Wellington, New Zealand. The Financial Statements are presented in New Zealand dollars.

Statutory Base

The Aspiring Fund is a Managed Investment Scheme as defined by the Financial Markets Conduct Act 2013 and is subject to the provisions of that Act.

These Financial Statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Trust Deed.

The Financial Statements were authorised for issue by the Directors on 25 July 2018. The Directors of Aspiring Asset Management Limited have the power to amend and reissue the Financial Statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the periods presented, unless otherwise stated.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP, the Trust is a profit-oriented entity. These Financial Statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). These Financial Statements also comply with International Financial Reporting Standards (IFRS). These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the directors of the Manager to exercise their judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

(a) Presentation

All amounts are presented in New Zealand dollars, without further rounding, which is the Trust's functional and presentation currency, unless otherwise stated.

2. Summary of significant accounting policies - *continued*

(b) Standards and amendments to existing standards adopted by the Trust from 1 April 2017

Amendments to NZ IAS 7, 'Statement of Cash Flows' because effective for annual periods beginning on or after 1 January 2017. These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Adoption of these amendments did not have a material impact on the Fund's financial statements. There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2017 that have a material effect on the financial statements of the Fund.

(c) Standards and amendments to existing standards that are not yet applicable and have not been early adopted by the Trust

NZ IFRS 9 Financial instruments ('NZ IFRS 9') (effective for annual periods beginning on or after 1 January 2018). NZ IFRS 9 requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. The requirements for classifying and measuring financial liabilities have been added to the standard and were carried forward largely unchanged from NZ IAS 39 Financial Instruments: Recognition and Measurement. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets. The impact of adopting NZ IFRS 9, has not yet been fully assessed, however it is not expected to have a significant impact on the Trust's reported result or financial position. The Trust intends to adopt NZ IFRS 9 for its financial period commencing 1 April 2018.

2.2 Financial instruments

(a) Classification

The Trust's financial instruments are categorised as financial assets or financial liabilities at fair value through profit or loss, loans and receivables and other financial liabilities.

- Financial instruments at fair value through profit or loss

The Trust's investments in equity and debt securities are categorised as financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception.

- Financial instruments held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are categorised as held for trading. These include forward currency contracts, contracts for difference, futures and equity options. All derivatives in a net receivable or payable position are reported as either derivative financial assets or derivative financial liabilities. The Trust does not designate any derivatives as hedges in a hedging relationship.

2. Summary of significant accounting policies - *continued*

- Financial instruments designated at fair value through profit or loss at inception

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

The financial instruments comprise of a combination of exchange traded debt, convertible bonds and equity instruments, unlisted trusts, unlisted equity instruments, contracts for difference (CFD) and commercial paper.

The designation of financial instruments at fair value through profit or loss is consistent with the Trust's risk management or investment strategy.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and may include amounts receivable for dividends, interest and distributions, unsettled sales of securities and cash and cash equivalents. Cash and cash equivalents include cash on hand and deposits held at call with banks and other counterparties.

- Other financial liabilities at amortised cost

These amounts represent liabilities and accrued expenses owed by the Trust at balance date, and may include unsettled purchases of securities, Supervisor fees payable and withdrawals owed to unitholders.

(b) Recognition and measurement

- Financial instruments at fair value through profit or loss

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date). Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred 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 or losses arising from changes in the fair value of the financial instruments designated at fair value through profit or loss are recognised in the Statements of Comprehensive Income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Trust's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognised in the Statement of Comprehensive Income within interest income based on the effective interest rate.

- Loans and receivables

Loans and receivables are initially recognised at fair value, being the amounts receivable plus directly attributable transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, reduced for impairment as appropriate. Any impairment charge is recognised in the Statements of Comprehensive Income.

- Other financial liabilities at amortised cost

Other financial liabilities at amortised cost are recognised initially at fair value and subsequently measured at amortised cost.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows have expired or the Trust has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2. Summary of significant accounting policies - *continued*

(d) Fair value estimation

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.

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Trust, in accordance with NZ IFRS 13, 'Fair value measurement', utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

- 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 Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and 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.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Trust would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is currently 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.

2.4 Net assets attributable to Unitholders

The Trust issues units that are redeemable at the Unitholders' option and have identical features and are therefore classified as equity. The units can be put back to the Trust at any time for cash 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 balance sheet date if Unitholders exercised their right to put the units back to the Trust. As stipulated in the Trust Deed, each unit represents an individual share in the Trust and does not extend to a right in the underlying assets of the Trust. There are no separate classes of units within the Trust and each unit has the same rights attaching to it as all other units in the Trust.

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the Trust's net asset value per unit at the time of issue or redemption. The Trust's net asset value per unit is calculated by dividing the net assets attributable to the holders of the Trust with the total number of outstanding units of the Trust. In accordance with the provisions of the offering documents, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

The Trust's units meet the definition of puttable instruments classified as equity instruments under NZ IAS 32, 'Financial Instruments: Presentation'.

In accordance with the Trust Deed, the Manager has full discretion as to whether to distribute any income of the Trust. Income that is not distributed is invested as part of the assets of the Trust or may be used later to make distributions to Unitholders.

2. Summary of significant accounting policies - *continued*

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and margin accounts (deposits and borrowings with brokers in New Zealand Dollars and other currencies). For the purposes of the Statement of Cash Flow, payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Trust's main income generating activity.

2.6 Investment income

Interest income on assets held at fair value through the profit or loss is included as interest in the Statement of Comprehensive Income. Interest is recognised as interest accrues using the effective interest method. Changes in fair value for such instruments are recorded in accordance with the policies described in Note (2.2). Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statement of Changes in Unitholders Funds.

2.7 Receivables

Receivables may include amounts for dividends, interest, trust distributions, contributions and amounts due from brokers for securities sold that have been contracted for but not yet delivered by the end of the accounting period. Receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, being the initially recognised amount reduced for impairment as appropriate. Any impairment charge is recognised in the Statement of Comprehensive Income.

A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.8 Payables

These amounts represent liabilities and accrued expenses owing by the Trust at year end and may include amounts due to brokers for securities purchased that have been contracted for but not yet delivered by the year end, withdrawals and related party fees. These amounts are recognised initially at fair value and subsequently stated at amortised cost.

2.9 Investments gains and losses

Realised and unrealised gains and losses are reflected in the Statement of Comprehensive Income as net gain/(loss) on financial instruments held at fair value through profit or loss.

Unrealised gains or losses include the change in net market value of investments held as at balance sheet date and the reversal of prior periods unrealised gains or losses on investments that have been realised in the current year. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

2.10 Expenses

All expenses, including the Trust's management and Supervisor fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

2. Summary of significant accounting policies - *continued*

2.11 Foreign currency translation

(a) Functional and presentation currency

Items included in the Trust's Financial Statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the New Zealand dollar, which reflects the currency of the economy in which the Trust competes for funds and is regulated. The New Zealand dollar is also the Trust's presentation currency.

The Manager considers the New Zealand dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Trust measures its performance and reports its results, as well as the currency in which the Trust receives subscriptions from investors.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses arising from translation are included in the Statement of Comprehensive Income within net gain/(loss) on financial instruments held at fair value through profit or loss.

The Trust does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which are due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss in the Statement of Comprehensive Income.

2.12 Income tax

The Trust qualifies as and has elected to be a Portfolio Investment Entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Trust has no income tax expense. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statement of Changes in Unitholders Funds.

Under the PIE regime, the Manager attributes the taxable income of the Trust to Unitholders in accordance with the proportion of their interest in the Trust. The income attributed to each Unitholder is taxed at the Unitholder's "prescribed investor rate" which is capped at 28% on redemptions and annually at 31 March each year.

Unitholder tax liabilities disclosed in the Statement of Changes in Unitholders Funds consists of withdrawals to meet Unitholder tax liabilities (or contributions from Unitholder rebates) under the PIE regime and any resident and foreign withholding taxes deducted at source.

2.13 Goods and services tax ("GST")

The Trust is not registered for GST. The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Balance Sheet are stated inclusive of GST.

2.14 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements. Any changes to comparative figures have no impact on the prior period statement of comprehensive income.

3. Critical accounting estimates and judgements

The Manager of the Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. 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.

- Fair value of derivative financial instruments

The Trust may, from time to time, hold financial instruments that are not quoted in active markets, such as over the counter derivatives. Fair values for such instruments are determined by using valuation techniques. Valuation techniques, including models, use observable data to the extent possible. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes or assumptions about these factors could affect the reported fair value of financial instruments.

- Fair value of securities not quoted in an active market

The fair value for such securities not quoted in an active market may be determined by the Trust using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from pricing sources may be indicative but not executable or binding. The Manager would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Trust may price positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The models for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity and credit and market risk factors.

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.

The fair value of investments in other funds that are not quoted in active markets is determined by reference to the redemption price per unit of the underlying funds.

The fair value of investments in equities that are not quoted in active markets is determined by reference to the most recent transactional history where management consider this to reflect the realisable value of the investment.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

- Functional currency

The Manager considers the New Zealand dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Trust measures its performance and reports its results, as well as the currency in which the Trust receives subscriptions from investors.

4. Commitments and contingent liabilities

As of March 2018, the Trust had entered into agreements to acquire shares in the initial public offerings of the following companies:

Jupiter Mines Ltd: \$2,405,565 worth of shares

Smiles Inclusive Ltd: \$159,492 worth of shares

These shares settled and commenced trading on the ASX in April 2018. The Trust had no such agreements at the previous year end. There are no other contingencies or commitments as at 31 March 2018 (31 March 2017: Nil).

5. Related Parties

5.1 General

Aspiring Asset Management Limited is the Manager of the Trust and The New Zealand Guardian Trust Company Limited is the Supervisor of the Trust.

5.2 Related party fees

The Trust has incurred the following fees to the related parties.

		<i>Year ended</i>	
		<i>31 March 2018</i>	<i>31 March 2017</i>
		<i>\$</i>	<i>\$</i>
Aspiring Asset Management Limited	Management fees	3,739,612	3,177,097
Aspiring Asset Management Limited	Performance fees	3,882,882	2,575,160
The New Zealand Guardian Trust Company Limited	Supervisor fees	223,437	191,993
		7,845,931	5,944,250

The Trust owed the following amounts to related parties at balance sheet date.

Aspiring Asset Management Limited	Management fees payable	323,969	286,950
Aspiring Asset Management Limited	Performance fees payable	-	638,234
The New Zealand Guardian Trust Company Limited	Supervisor fees payable	58,804	50,408
		382,773	975,592

Management fees and performance fees are calculated in accordance with the Establishment Deed. Under the Trust Deed the management fees and performance fees payable to Aspiring Asset Management Limited are payable monthly in arrears and the Supervisor fees to The New Zealand Guardian Trust Company Limited are payable quarterly in arrears.

5. Related Parties - *continued*

5.3 Directors' interests

The investment interests of the directors of Aspiring Asset Management Limited in the Trust at balance sheet date are:

		As at	
		31 March 2018	31 March 2017
Murray Doyle			
	Number of Units	3,027,189	3,022,617
	Market Value	10,319,083	9,667,539
	% of the Trust	3%	3%
John Rattray			
	Number of Units	2,398,452	2,681,317
	Market Value	8,175,843	8,575,923
	% of the Trust	2%	3%
Stephen Montgomery			
	Number of Units	2,393,278	2,418,975
	Market Value	8,158,205	7,736,850
	% of the Trust	2%	2%
Campbell Stuart			
	Number of Units	1,051,987	994,659
	Market Value	3,586,012	3,181,317
	% of the Trust	1%	1%
Lance Reynolds (appointed 7 April 2016)			
	Number of Units	78,229	53,514
	Market Value	266,665	171,160
	% of the Trust	0%	0%

Redemptions of Directors' interests are treated as an unitholder redemption and valued in accordance with the Trust's offering documents.

6. Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss

	Notes	Year ended	
		31 March 2018	31 March 2017
		\$	\$
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		25,309,428	28,872,791
Net gains/(losses) on financial assets and liabilities held for trading		(673,723)	228,728
Total net gains/(losses) on financial assets and liabilities at fair value through profit or loss		24,635,705	29,101,519

7. Financial instruments by category

	Notes	As at	
		31 March 2018	31 March 2017
		\$	\$
Financial Assets			
Fair value through profit and loss at inception			
Money market securities:			
Bank term deposits		55,189,020	15,035,013
Transferable certificates of deposit		-	38,287,074
Fixed interest securities		4,373,373	2,791,131
Convertible bonds		9,696,978	479,250
Listed equities		269,561,014	236,694,045
Unlisted equities		3,173,754	3,638,874
Unlisted unit trust		-	7,731,984
Total financial assets at fair value through profit and loss at inception		341,994,139	304,657,371
Fair value through profit or loss held for trading			
Currency contracts	9	22,503	57,558
Total financial assets at fair value through profit or loss held for trading		22,503	57,558
Total financial assets held at fair value through profit or loss		342,016,642	304,714,929

7. Financial instruments by category - *continued*

		As at	
		31 March 2018	31 March 2017
	Notes	\$	\$
Loans and receivables			
Due from brokers		8,895,757	2,499,689
Other receivables		5,226,622	6,663,057
<i>Cash and cash equivalents:</i>			
New Zealand cash		16,634,805	29,063,008
Foreign cash deposits		18,312,152	4,715,856
Margin deposits		1,238,582	723,277
Total loans and receivables		50,307,918	43,664,887
Total financial assets		392,324,560	348,379,816
Financial Liabilities			
Fair value through profit and loss at inception			
Listed equities		562,860	85,081
Total financial liabilities at fair value through profit and loss at inception		562,860	85,081
Fair value through profit or loss held for trading			
Contract for difference	9	23,138	56,382
Total financial liabilities at fair value through profit or loss held for trading		23,138	56,382
Total financial liabilities held at fair value through profit or loss		585,998	141,463
Financial liabilities at amortised cost			
Related party payables		382,773	975,592
Other payables		4,300,922	3,094,536
Due to brokers		5,174,700	3,848,133
Total financial liabilities at amortised cost		9,858,405	7,918,261
Total financial liabilities		10,444,403	8,059,724

Comparative figures for the margin deposits account and the liability for listed equities have been adjusted to conform with changes in presentation of the financial statements and have no impact on the statement of comprehensive income.

8. Reconciliation of profit to net cash outflow from operating activities

	Year ended	
	31 March 2018	31 March 2017
	\$	\$
Profit after tax	22,164,398	27,931,353
Proceeds from sale of financial instruments held at fair value through profit or loss	781,684,733	611,525,045
Purchase of financial instruments held at fair value through profit or loss	(798,969,764)	(672,603,256)
Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(24,635,705)	(29,101,519)
Net foreign currency gains or losses on cash and cash equivalents	1,608,825	1,340,014
Net change in accrued income and receivables	(155,806)	(470,657)
Net change in payables	(574,597)	120,358
	(41,042,314)	(89,190,015)
Net cash outflow/(inflow) from operating activities	(18,877,916)	(61,258,662)

9. Derivative financial instruments

In the normal course of business, the Trust enters into transactions in derivative instruments with 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.

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 instruments include a wide assortment of instruments, such as forwards and swaps. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Trust's portfolio management. Derivatives may be used for:

- (i) economic hedging to protect an asset or liability of the Trust against a fluctuation in market values or to reduce volatility;
- (ii) a substitution for trading of physical securities; and
- (iii) 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 positions.

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 Trust.

9. Derivative financial instruments - *continued*

The Trust holds the following derivative instruments:

Forward currency contracts

Forward currency contracts are primarily used by the Trust to economically hedge against foreign currency exchange rate risks on its non New Zealand denominated trading securities. The Trust agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed upon future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The Trust recognises a gain or loss equal to the change in fair value at reporting date.

The Trust holds the following forward currency contracts as at 31 March 2018:

	<i>As at</i>	
	<i>31 March 2018</i>	<i>31 March 2017</i>
<i>Notional value in NZ\$</i>	<i>\$</i>	<i>\$</i>
Sell AUD/Buy NZD	10,655,303	32,795,569
Fair Value in NZ\$	22,503	57,558

Contracts for difference (CFD)

A contract for difference is a financial derivative that allows parties to take advantage of movements in price on underlying financial instruments without the need for ownership of the underlying shares. The main risk is market risk as the contract is designed to pay the difference between the contract price and the closing price of the underlying asset. CFDs are traded on margin.

The fair value of a contract for difference is derived from the difference between the market price of the underlying security and the contract price.

The Trust holds the following contracts for difference at 31 March 2018. Gains/(losses) arising from contracts for differences are classified in Note 6 as Financial instruments held for trading.

	<i>As at</i>	
	<i>31 March 2018</i>	<i>31 March 2017</i>
<i>Notional value in NZ\$</i>	<i>\$</i>	<i>\$</i>
Shopping Centres Australia - CFD (AUD)	(619,361)	(1,398,791)
Fair Value in NZ\$	(23,138)	(56,382)

10. Financial risk management

The Trust Deed for the Trust requires the Manager to invest the assets of the Trust in accordance with the investment guidelines, as agreed with the Supervisor from time to time, in order to manage risk. The Trust's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk). The Trust's overall risk management programme seeks to maximise the return derived for the level of risk to which the Trust is exposed and seeks to minimise potential adverse effects on the Trust's financial performance. The Trust may use derivative financial instruments to moderate certain risk exposures.

The Trust uses different methods to measure and manage the various types of risk to which it is exposed. These methods are explained below.

(a) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Trust. The Trust is primarily exposed to credit risk through its investment activities. The maximum credit risk of financial instruments is considered to be the fair value. The Supervisor regularly reviews and approves an investment strategy that is implemented by the Manager.

The investment strategy incorporates an appropriate diversification of investments so that the Trust has no significant concentration of credit risk. An analysis of money market and fixed interest securities by rating is set out in the table below.

<i>Portfolio by rating category</i>	<i>As at</i>	
	<i>31 March 2018</i>	<i>31 March 2017</i>
	<i>\$</i>	<i>\$</i>
A	15,000,000	-
A-	-	7,457,653
AA-	35,000,000	10,000,000
BBB+	-	1,763,977
BBB	3,964,911	5,035,013
BBB-	5,189,020	-
Unrated**	10,105,440	32,335,825
Total	69,259,371	56,592,468

*As at 31 March 2018, inclusive of convertible bonds with a value of \$9,696,978 (31 March 2017: \$479,250).

With respect to cash and cash equivalents, the Trust's credit risk is managed by limiting the counterparties to a group of major international banks and the Trust does not expect to incur any losses as a result of non performance by these counterparties.

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

10. Financial risk management - *continued*

(b) Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity management is designed to ensure that the Trust has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal level of redemptions. Liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of to enable them to meet liabilities as they fall due and unit redemptions when requested. In the event of abnormal levels of redemptions, timing of payment may be dependent on the ability of the Trust to realise its underlying investments on a timely basis. The Trust may periodically invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Trust may not be able to liquidate its holdings in these investments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issue. At 31 March 2018 and 31 March 2017, the Trust held no investments which are materially affected by illiquidity.

The Trust also has the ability in extraordinary situations to impose discretionary redemption restrictions, which include the ability to suspend redemptions or withhold varying amounts of any redemption requested. It is the intention of the Trust to exercise this ability only in instances where the payment of redemptions would put the remaining Unitholders in a disadvantageous position, or if the Trust is unable to liquidate its holding in these investments that would allow the Trust to pay redemptions as they fall due. The Trust has not withheld redemptions during the year (31 March 2017: Nil).

The table below analyses the Trust's financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	<i>Less than 7 days</i>	<i>7 days to 1 month</i>	<i>1-12 months</i>
<i>As at 31 March 2018</i>			
Listed equities sold short	562,860	-	-
Contract for difference	-	-	23,138
Related party payables	-	323,969	58,804
Other payables	4,229,949	27,611	43,362
Due to brokers	2,609,653	2,565,057	-
	7,402,462	2,916,637	125,304
<i>As at 31 March 2017</i>			
Listen equities sold short	85,081	-	-
Contract for difference	-	-	56,382
Related party payables	-	925,184	50,408
Other payables	3,018,993	24,675	50,868
Due to brokers	3,848,133	-	-
	6,952,207	949,859	157,658

10. Financial risk management - *continued*

(c) Currency risk

The Trust holds both monetary and non-monetary assets denominated in currencies other than the New Zealand dollar. Foreign currency risk, as defined in NZ IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign currency exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

Currency risk management is undertaken by the Trust's Manager within the guidelines provided by the Trustee. The Trust may enter into foreign exchange derivatives both to economically hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. The terms and conditions of these contracts rarely exceeds one year. As the nature of these contracts is to manage the international investment activities of the Trust, they are accounted for by marking to market at balance sheet date in a manner consistent with the valuation of the underlying securities.

At balance date, the Trust has the following exposure to foreign currency risk:

	<i>As at</i>	
	<i>31 March 2018</i>	<i>31 March 2017</i>
	<i>\$</i>	<i>\$</i>
Australia (AUD)		
Monetary assets		
Cash and cash equivalents	17,468,854	4,715,856
Currency contracts	(10,632,800)	(32,738,011)
Non-monetary assets		
Listed equities	76,518,259	70,313,115
Monetary liabilities		
Net due to brokers and other payables	(3,919,865)	(961,373)
Non-monetary liabilities		
Contract for difference	(23,138)	(56,382)
Net exposure (AUD)	79,411,309	41,273,205
United States (USD)		
Monetary assets		
Cash and cash equivalents	874,387	-
Net due from brokers and other receivables	-	44,784
Non-monetary assets		
Listed equities	55,993,138	22,296,915
Net exposure (USD)	56,867,525	22,341,699

10. Financial risk management - continued

(c) Currency risk - continued

The following table summarises the sensitivity of the Trust's investments to changes in foreign exchange movements at 31 March. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% to the New Zealand dollar, with all other variables held constant. This increase or decrease in operating profit and Net Assets Attributable to Unitholders of the Trust arises mainly from a change in the fair value of the Australian dollar equity investments and cash held in Australian dollars.

At 31 March, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant, the impact on profit or loss and total comprehensive income is disclosed below. The notional impact on PIE tax (which affects Net Assets Attributable to Unitholders) has not been calculated. The Directors believe this does not have a material impact.

	As at	
	31 March 2018	31 March 2017
<i>Exchange rates increased by 5%</i>		
<i>Australia (AUD)</i>	\$	\$
Monetary assets		
Cash and cash equivalents	(831,850)	(224,565)
Currency contracts	506,324	1,558,953
Non-monetary assets		
Listed equities	(3,643,727)	(3,348,244)
Monetary liabilities		
Net due to brokers and other payables	186,660	45,780
Non-monetary liabilities		
Contract for difference	1,102	2,685
	(3,781,491)	(1,965,391)
United States (USD)		
Monetary assets		
Cash and cash equivalents	(41,637)	-
Net due from brokers and other receivables	-	(2,133)
Non-monetary assets		
Listed equities	(2,666,340)	(1,061,758)
	(2,707,977)	(1,063,891)
Total impact of 5% increase in exchange rates	(6,489,468)	(3,029,282)

10. Financial risk management - continued

(c) Currency risk - continued

<i>Exchange rates decreased by 5%</i>	<i>As at</i>	
	<i>31 March 2018</i>	<i>31 March 2017</i>
<i>Australia (AUD)</i>	<i>\$</i>	<i>\$</i>
<i>Monetary assets</i>		
Cash and cash equivalents	919,413	248,203
Currency contracts	(559,621)	(1,723,053)
<i>Non-monetary assets</i>		
Listed equities	4,027,277	3,700,690
<i>Monetary liabilities</i>		
Net due to brokers and other payables	(206,309)	(50,599)
<i>Non-monetary liabilities</i>		
Contract for difference	(1,218)	(2,967)
	4,179,542	2,172,274
 <i>United States (USD)</i>		
<i>Monetary assets</i>		
Cash and cash equivalents	46,020	-
Net due from brokers and other receivables	-	2,357
<i>Non-monetary assets</i>		
Listed equities	2,947,007	1,173,522
	2,993,027	1,175,879
Total impact of 5% decrease in exchange rates	7,172,569	3,348,153

(d) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Trust may hold investments in interest earning financial instruments that expose the Trust to fair value interest rate risk. The Trust may also hold cash and cash equivalents that expose the Trust to cash flow interest rate risk. The interest rate risk arising from these investments is managed by the underlying fund manager. The tables below summarises the sensitivity of the Trust's investments to changes in interest rate movements at 31 March.

10. Financial risk management - *continued*

(d) Cash flow and fair value interest rate risk - continued

Cash flow interest rate risk:

The Trust holds cash and cash equivalents that expose the Trust to cash flow interest rate risk. The table below summarises the impact on the Statement of Comprehensive Income and Net Assets Attributable to Unitholders had the relevant interest rates increased or decreased by 1% at balance date with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in interest rates with regard to historical volatility.

	As at	
	31 March 2018	31 March 2017
	\$	\$
Increased by 1%	361,855	345,021
Decreased by 1%	(361,855)	(345,021)

Fair value interest rate risk:

At the balance date, had the interest rate increased/decreased by 1% (which is the Manager's assessment of a reasonable movement with regard to historical volatility) with all other variables held constant, the impact on the fair value of the overall investment portfolio would be as disclosed below.

	As at	
	31 March 2018	31 March 2017
	\$	\$
Increased by 1%	(58,281)	(60,924)
Decreased by 1%	58,281	61,123

(e) Price risk

The Trust is exposed to securities price risk. This arises from investments held by the Trust for which prices in the future are uncertain. Where non-monetary financial instruments, i.e. equities - are denominated in currencies other than the New Zealand dollar (NZD), the price initially expressed in foreign currency and then converted into NZD will also fluctuate because of change in foreign exchange rates. Paragraph (c) 'Currency risk' sets out how this component of price risk is managed and measured.

Price risk is managed through diversification and selection of securities and other financial instruments within specified limits and in accordance with mandates and overall investment strategy.

The majority of the Trust's equity and fixed interest investments are publicly traded and are included within the New Zealand and Australian Stock Exchanges. The overall market position is monitored by the Trust's Manager. Compliance with the Trust's investment policies are reported to the Board of the Manager.

The table below summarises the sensitivity of the Trust's net assets attributable to Unitholders to equity, unit trust and listed fixed interest securities price movements on equity and listed fixed interest securities prices, as at 31 March.

The analysis is based on a price move of 5% which represents managements best estimate of a reasonable shift in prices having regard to historical volatility.

10. Financial risk management - *continued*

(e) *Price risk - continued*

If the prices of equity, unit trust and listed fixed interest securities in which the Trust invest in at 31 March 2018 had increased or decreased by 5% (31 March 2017: +/-5%) with all other variables held constant, this would have increased/decreased profit or loss and total comprehensive income as disclosed below.

	<i>As at</i>	
	<i>31 March 2018</i>	<i>31 March 2017</i>
	\$	\$
Increased by 5%	14,796,962	12,296,769
Decreased by 5%	(14,796,962)	(12,296,769)

(f) *Fair value estimation*

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year end date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for non-standard financial instruments such as over the counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, options pricing models and 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.

For instruments for which there is no active market, the Trust may use internally developed models which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the year. Some of the inputs to these models may not be market observable and therefore estimated based on assumptions.

The Trust is required to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within the fair value measurement is categorised in its entirety and is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

10. Financial risk management - continued

(f) Fair value estimation - continued

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market. The following table analyses within the fair value hierarchy the Trust's financial assets and liabilities (by class) measured at fair value at 31 March 2018:

	As at	
	31 March 2018	31 March 2017
	\$	\$
Assets		
<i>Financial assets designated at fair value through profit or loss:</i>		
Level 1		
Fixed interest securities	408,462	2,791,131
Convertible bonds	9,696,978	479,250
Listed equities	269,561,014	236,694,045
Level 2		
Bank term deposits	55,189,020	15,035,013
Transferable certificates of deposit	-	38,287,074
Fixed interest securities	3,964,911	-
Unlisted unit trust	-	7,731,984
Currency contracts	22,503	57,558
Level 3		
Unlisted equities	3,173,754	3,638,874
Total financial assets designated at fair value through profit or loss	342,016,642	304,714,929
Liabilities		
<i>Financial Liabilities designated at fair value through profit or loss:</i>		
Level 1		
Listed equities	562,860	85,081
Level 2		
Contract for difference	23,138	56,382
Total financial liabilities designated at fair value through profit or loss	585,998	141,463

10. Financial risk management - continued

(f) Fair value estimation - continued

Financial instruments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed equities, convertible bonds and fixed interest. The Trust does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are value based upon quoted market prices or alternative pricing sources supported by observable inputs are classified as level 2.

Bank term deposits are held within registered New Zealand banks with less than one year to maturity. In the Manager's opinion their valuation at principle is a reasonable approximation of their fair value.

Fixed interest securities are calculated using market accepted formulas. The yields are derived from either credit spreads sourced from the New Zealand Financial Markets Association, direct sourcing such as New Zealand government bonds, relative value against like securities where there are a small number of quotes available and matrix yield curves.

The investment in an unlisted unit trust is not quoted in an active market. Classified in level 2 its net asset value per unit is determined by the unlisted unit trust's manager/administrator and based upon the fair value of underlying securities. For the unlisted unit trust, management believes the Fund could have redeemed its investment at the net asset value per unit at the balance sheet date.

The fair value of bank bill futures and currency contracts are determined by using valuation models for which the inputs are directly observable and are therefore classified in level 2.

Contract for difference (CFD) are financial instruments whose values are based on the movement of observable inputs (i.e. listed equities) but are over-the-counter transactions and therefore classified within level 2.

The level 3 financial instruments held consist of New Zealand unlisted equities for which there is no active market. Valuation is based on recent transactional history, discounted cashflow model, operating performance or EVEBIT multiple. The level 3 financial instruments represent approximately 0.83% (31 March 2017: 1.08%) of the Net asset value of the Trust at balance date.

The below table summarises the sensitivity of level 3 financial instruments to unobservable inputs:

	Key Unobservable Inputs	Price Sensitivity		Interest Rate Sensitivity	
		+5%	-5%	+1%	-1%
31 March 2018					
Unlisted equity	Last Traded Price	158,688	(158,688)	n/a	n/a

The impact of reasonably possible movements in assumptions adopted in the discounted cash flow model used to value an unlisted equity (as noted above) is not considered material.

	Key Unobservable Inputs	Price Sensitivity		Interest Rate Sensitivity	
		+5%	-5%	+1%	-1%
31 March 2017					
Unlisted equity	Last Traded Price	181,944	(181,944)	n/a	n/a

10. Financial risk management - *continued*

(f) Fair value estimation - *continued*

The following table presents the movement in level 3 financial instruments for the year ended:

	31 March 2018	31 March 2017
	\$	\$
Opening balance	3,638,874	3,729,609
Purchase	93,707	962,835
Sales	-	-
Equity listed on ASX	-	(250,000)
Net gains/(losses) recognised in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(558,827)	(803,570)
Closing balance	3,173,754	3,638,874
Change in unrealised gains or losses for level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(558,827)	(803,570)

(g) Capital market risk

The Trust's capital is represented by net assets attributable to Unitholders. The amount of net assets attributable to Unitholders can change significantly on a monthly basis as the Trust is subject to monthly subscriptions at the discretion of Unitholders. The Trust's objectives when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for Unitholders and benefit other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Trust. The Trust does this by investing in a diversified portfolio of equity securities listed on exchanges in New Zealand, Australia and international equity markets. The Trust may also use derivatives to increase exposure in certain investments. Investment decisions are guided by the mandate included in the investment statement and prospectus.

The Trust strives to invest the subscriptions of Unitholder funds in investments that meet the Trust's objectives while maintaining sufficient liquidity to meet Unitholder redemptions. The Trust follows an internal liquidity limit based on historical data with regards to Unitholder tenure.

The Trust does not have any externally imposed capital requirements. Units may be redeemed on the last business day of each month in accordance with the Trust Deed, prospectus and investment statement. The Manager may, in the interests of all Unitholders in the Trust, restrict, suspend or alter withdrawals in certain circumstances.

Expected cash outflow of Unitholder funds cannot be reliably estimated given the Trust does not have sufficient historical redemption rates to predict the expected outflow profile.

10. Financial risk management - *continued*

(h) Fair values of financial assets and financial liabilities

All financial assets and liabilities not measured at fair value through profit or loss are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents (including margin and foreign cash deposits) include cash on hand, deposits held with banks and other short-term investments in an active market.

Outstanding settlements represent the contractual amount due by the Trust for settlement of trades.

11. Events occurring after the balance sheet date

No significant events have occurred since balance sheet date which would impact on the financial position of the Trust disclosed in the Balance Sheet as at 31 March 2018 or on the results and cash flows of the Trust for the year ended on that date.

Independent auditor's report to the Unitholders of The Aspiring Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Aspiring Fund ("the trust") on pages 3 to 26, which comprise the balance sheet of the trust as at 31 March 2018, and the statement of comprehensive income, statement of changes in unitholder funds and statement of cash flows for the year then ended of the trust, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 26 present fairly, in all material respects, the financial position of the trust as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the trust in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the trust.

Information other than the financial statements and auditor's report

Those charged with governance are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Those charged with governance responsibilities for the financial statements

Those charged with Governance are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing on behalf of the entity the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the trust or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Brent Penrose.



Chartered Accountants
Auckland
25 July 2018