

09

SMARTSHARES LIMITED ANNUAL REPORT 2009





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CHAIRMAN'S REPORT

PERFORMANCE IN 2009

In the chairman's report last year we noted that the first three months of 2008 had been a volatile period in global investment markets. The fall out from the sub-prime mortgage crisis continued to dominate this financial year, with a consequential fall in share prices globally. This has negatively impacted on unit prices across all of Smartshares' funds:

	31 March 2008	31 March 2009
TENZ	\$1.0355	\$0.7496
MIDZ	\$2.6797	\$1.8771
FONZ	\$1.5115	\$1.0761
MOZY	\$6.3114	\$3.6726
OZZY	\$3.4233	\$2.6660

REGULAR SAVINGS PLAN AND DIVIDEND REINVESTMENT

In this environment it is heartening to see that Smartshares investors have continued to take advantage of our Regular Savings Plan (RSP) and Dividend Reinvestment Plan. With the current market price of Smartshares funds being at historical lows, participating in the DRP and RSP enables Smartshares investors to accumulate larger holdings in the funds for the same dollar investment. This will enable those investors to generate greater returns as the market picks up again.

TRANSPARENCY

Globally there has been strong growth in investment in Exchange Traded Funds (ETF). Barclays Global Investors' ETF Landscape Industry Review quotes from a Strategic Insight Report showing that while net sales of mutual funds (excluding ETFs) were minus US\$112bn in 2008 net sales of ETFs were positive US\$268bn. The transparency an investment in an ETF provides is a key reason for the rise in popularity. Smartshares believes in promoting transparency. To that end Smartshares aims to make it as easy as possible for investors to track the performance of their Smartshares' funds. The Smartshares Fact Sheets, released each month and available to download from www.smartshares.co.nz provide comprehensive information on each fund including; unit price, net tangible assets, average daily volume and total fund value. Smartshares Fact Sheets provide data over monthly, three monthly, quarterly, annualised 3 year, annualised 5 year and annualised since inception periods so investors can maintain a long term view on the performance of their investment. Latest fund price and net tangible asset (NTA) values are also available on www.nzx.com. The Smartshares website can also be used to check your account details online.

OPERATIONAL CHANGES IN 2009

During the year Smartshares determined to change its fee structure and the way in which distributions will be paid to investors. These changes bring the distribution methodology of the Smartshares funds in line with most other listed issuers, and most ETFs worldwide. A letter detailing these changes was sent to unitholders in February. The changes introduce a new flat rate management fee, which will be calculated as a percentage of the market value of all securities held in the fund and will be deducted from the NTA. This replaces the current variable management fee, which is deducted from individual distribution accounts. Under the new structure no investor will pay more management fees than that investor currently pays.

Smartshares also communicated with you during the year concerning the introduction of a securities lending programme. This programme is designed to enhance unitholder returns. Improved liquidity, closer tracking of the market price of units to NTA of the funds and additional income for the Smartshares funds are benefits that this programme will offer to our investors. We will communicate to you closer to the time when this is due to go live.

I encourage you to contact the Smartshares team if you have any questions on any of the points raised above. I look forward to future communications with you as a valued Smartshares investor.



E CAMPBELL | CHAIRMAN
Smartshares Limited

NZX 10 FUND (smartTENZ)

PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

FUND PERFORMANCE

For the year to 31 March 2009, the NZX 10 Fund (smartTENZ) returned negative 27.88% before the payment of any dividends. For the full year, distributions totalled 5.51 cents per unit gross*. This equates to a gross dividend yield of 7.35% based on the market close price as at 31 March 2009 (market close price at 31 March 2009: \$0.75).

SmartTENZ had 72.3 million units on issue with a market capitalisation of \$54.0 million as at 31 March 2009.

INDEX PERFORMANCE

The NZX 10 Gross Index, which includes any dividends paid, returned negative 23.39% over the year. During the last five years the NZX 10 Gross Index has had an annualised return of negative 1.38% per annum.

PERFORMANCE OF THE NZX 10 GROSS INDEX (NZD)



KEY METRICS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

	31 March 2009	31 March 2008	31 March 2007**	31 December 2006	31 December 2005
NZX 10 Capital Index	747.08	1,035.80	1,284.45	1,297.06	1,241.55
Net assets per unit	\$0.750	\$1.036	\$1.284	\$1.297	\$1.242
Distribution per unit over year*	5.51 cents	5.99 cents	NIL	6.85 cents	7.21 cents
Number of Unitholders	3,048	3,177	3,257	3,317	3,507
Units on issue	72,267,252	59,424,270	60,653,639	61,023,136	64,334,297
Total value of Unitholders' funds (at close prices)	\$54,171,413	\$61,536,209	\$77,906,297	\$79,150,919	\$79,874,964

* Before the deduction of management fees

**The year end for the fund has been changed from December to March. The data quoted is for the three months to 31st March 2007

smartTENZ

NZX 10 FUND (smartTENZ)

REPORT TO UNITHOLDERS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

Presented by Smartshares Limited, Manager of the NZX 10 Fund

FINANCIAL STATEMENTS

INCOME STATEMENT I FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Income			
Company dividends		3,195	4,072
Other income		(8)	34
Net changes in fair value of financial assets		(18,816)	(14,615)
Total Net Income		(15,629)	(10,509)
Management fees	7	261	354
Decrease in Net Assets Attributable to Unitholders before Tax		(15,890)	(10,863)
Tax expense	4	190	114
Decrease in Net Assets Attributable to Unitholders after Tax		(16,080)	(10,977)

CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Net assets attributable to Unitholders at beginning of period		61,295	77,590
Decrease in net assets attributable to Unitholders this period		(16,080)	(10,977)
Net subscriptions allotted/(redeemed)	5	11,554	(1,680)
Distribution accrued to Unitholders	6	(2,736)	(3,638)
Net Assets Attributable to Unitholders at End of Period		54,033	61,295

These financial statements should be read in conjunction with the notes on pages 9-15.

BALANCE SHEET | AS AT 31 MARCH

	Note	2009 \$000	2008 \$000
CURRENT ASSETS			
Cash at call		480	566
Accounts receivable		351	411
Taxation receivable		-	360
Total Current Assets		831	1,337
NON-CURRENT ASSETS			
Investments in equity securities held at fair value	8	54,033	61,295
Total Non-Current Assets		54,033	61,295
Total Assets		54,864	62,632
CURRENT LIABILITIES			
Accounts payable		-	177
Taxation payable		94	-
Management fees payable		39	51
Funds held for unit purchases		19	18
Distribution payable to Unitholders	6	679	1,091
Total Liabilities excluding Net Assets Attributable to Unitholders		831	1,337
Net Assets attributable to Unitholders		54,033	61,295

These financial statements should be read in conjunction with the notes on pages 9-15

The Board of Directors of Smartshares Limited authorised these financial statements for issue on 26 May 2009.



E CAMPBELL | CHAIRMAN
Smartshares Limited



G B D BROWN | DIRECTOR
Smartshares Limited

CASH FLOW STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Company dividends received		3,283	3,691
Net tax refund received	4	264	-
Other income received		(11)	34
Cash inflows from operating activities		3,536	3,725
Cash was applied to:			
Management fees paid		(272)	(333)
Taxation paid	4	-	(288)
Cash outflows from operating activities		(272)	(621)
Net Cash Flows from Operating Activities		3,264	3,104
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Net payments made by fund manager on behalf		-	76
Cash inflows from investing activities		-	76
Cash was applied to:			
Net reimbursement to fund manager for payments on behalf		(202)	-
Cash outflows from investing activities		(202)	-
Net Cash Flows from Investing Activities		(202)	76
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Savings plan and direct purchase deposits		590	423
Cash inflows from financing activities		590	423
Cash was applied to:			
Purchase of financial assets		(590)	(529)
Distributions paid to Unitholders	6	(2,156)	(2,182)
Distributions paid for dividend reinvestment	6	(992)	(1,064)
Cash outflows from financing activities		(3,738)	(3,775)
Net Cash Flows from Financing Activities		(3,148)	(3,352)
Net Decrease in cash held		(86)	(172)
Opening cash balance		566	738
Cash at End of Period		480	566
RECONCILIATION OF DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES			
Decrease in net assets attributable to Unitholders after tax		(16,080)	(10,977)
Less non-cash items:			
Net changes in fair value of financial assets		18,816	14,615
Operating movement in taxation receivable		480	(174)
Movement in management fees payable		(12)	21
Movement in accounts receivable		60	(355)
Operating movement in accounts payable		-	(26)
Net Cash Flows from Operating Activities		3,264	3,104

These financial statements should be read in conjunction with the notes on pages 9-15.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The NZX 10 Fund (the Fund) is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 7 May 1996. The Fund is an Issuer as defined in the Financial Reporting Act 1993 and these financial statements are presented in compliance with the Act. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders and distributions are confined only to dividends received from the portfolio of investments in equity securities. All changes in the value of investments, both realised and unrealised are recorded in the Income Statement.

The Fund's investment activities are managed by Smartshares Limited (the 'Investment Manager') tracking the NZX 10 Index. As prescribed by the Trust Deed, the Fund only invests in the securities included in the NZX 10 Index in proportion to the market capitalisation of the Index and the available capital of the Fund. The Fund's units are listed and traded on the NZX NZSX market. Investments in equity securities are valued at fair value according to last bid prices on the NZX NZSX market on 31 March 2009 (see Note 8).

2. STATEMENT OF ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements, being the New Zealand Dollar (NZD).

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies.

2.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification

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

(b) Recognition/derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, all financial assets 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 at fair value through profit or loss category are presented in the Income Statement when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

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

2.3 CASH AND CASH EQUIVALENTS

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

Subscriptions subsequent to the initial public offering can be made in the form of baskets of constituent securities of the NZX 10 Index (i.e. not for cash) and therefore have not been included in the Cash Flow Statement. Redemptions can also be made in the form of baskets and therefore have not been included in the Cash Flow Statement.

2.4 REDEEMABLE UNITS

The Fund issues redeemable units, which are redeemable at the Unitholder's option and are classified as financial liabilities. Redeemable units can be put back to the Fund at any time, in accordance with the redemption rules as defined in the prospectus, for cash equal to a proportionate share of the Fund's net asset value. The redeemable unit is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the unit back to the Fund.

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

2.5 DIVIDEND REVENUE

Company dividend income is recognised when the right to receive payment is established.

2.6 DISTRIBUTIONS PAYABLE TO HOLDERS OF REDEEMABLE UNITS

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

Distribution of this income is made as at 20 March (record date 29 February) and 20 September (record date 31 August) each year.

2.7 TAXATION

The Fund is domiciled in New Zealand and had a binding ruling from the New Zealand Inland Revenue Department which expired on 30th September 2007. The binding ruling stated that any gains realised from the sale of shares, in order to match the composition and weighting of the Index or to fund redemption of units, was not taxable to the Fund. The fund was registered as a Portfolio Investment Entity (PIE) from 1st October 2007.

The Fund is liable for tax at the prevailing company rate on taxable dividends (excluding dividends from entities subject to the Fair Dividend Rate method) from the companies listed in Note 8. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to Unitholders are imputed to the extent permitted by the imputation credits that the directors of the entity determine are available.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.8 CHANGES IN ACCOUNTING POLICIES

There have been no material changes to accounting policies during the period.

2.9 COMPARATIVES

Comparative figures where necessary have been restated to correspond to the current year classifications.

3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund does not have exposure to currency risk or interest rate risk.

3.1 MARKET PRICE RISK

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the financial instruments. The market exposures are outlined in Note 8. The Fund's market risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss. In accordance with the terms of the Trust Deed the Fund manager does not manage this risk.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3.2 CREDIT RISK

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash, accounts receivable and investments in equity securities at fair value. The maximum credit risk of financial instruments is considered to be fair value. The risk of non-recovery of monetary assets is considered minimal due to the quality of counterparties dealt with. The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at balance date are:

	Mar 2009 \$000	Mar 2008 \$000
Cash	480	566
Accounts receivable	351	411
Investments in equity securities at fair value	54,033	61,295

3.3 LIQUIDITY RISK

The Fund is exposed to daily cash redemptions. The Fund's listed securities are considered readily realisable, as they are listed on the NZX NZSX market.

4. TAXATION

	Year Ended Mar 2009 \$000	Year Ended Mar 2008 \$000
INCOME TAX EXPENSE		
Decrease in net assets attributable to Unitholders before tax	(15,890)	(10,863)
Add back management fees	261	354
Add back net changes in fair value of financial assets	18,816	14,615
Non-taxable income	(115)	(106)
Fully imputed accrued dividends	65	(411)
Other	-	31
Gross up of FWT & RWT withheld on dividends	-	40
Gross up of imputation credits	1,183	1,691
Taxable income	4,320	5,351
Taxation at 30% (2008: 33%)	1,296	1,766
Less imputation credits and foreign income tax credits	(1,106)	(1,699)
Less FWT and RWT credits	-	(40)
Prior period adjustment	-	87
Tax expense	190	114
IMPUTATION CREDITS		
Opening balance	1,263	1,405
Imputation credits received during the period	1,183	1,691
Net tax paid/(refunded) during the period	(264)	288
	2,182	3,384
Credits attached to distributions paid	(1,572)	(1,713)
Prior period adjustment	-	(408)
Credits available for future distribution	610	1,263
DIVIDEND WITHHOLDING PAYMENT CREDITS		
Opening balance	-	(11)
DWP credits received during the period	-	37
Credits attached to distributions paid	-	(37)
Prior period adjustment	-	11
Closing balance	-	-

The tax rate used in the above reconciliation is the corporate rate of 30%. There was a change in the corporate tax rate from 33% to 30% from 1 April 2008.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. REDEEMABLE UNITS

All issued units are fully paid and redeemable, and have been admitted to the official listing of the NZX NZSX market. The Fund's capital is represented by these redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units, other than minimum holding requirements as defined in the prospectus. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Unitholders.

To determine the net asset value of the Fund for subscriptions and redemptions, financial assets have been valued based on the last traded market prices as of the close of business on the relevant trading day.

6. DISTRIBUTION TO UNITHOLDERS

	Total attributed to Unitholders Mar 2009 \$000	Total attributed to Unitholders Mar 2008 \$000
Distribution payable at beginning of period	1,091	699
Distribution accrued to Unitholders	2,736	3,638
	3,827	4,337
Distributed to Unitholders	(3,148)	(3,246)
Distribution payable to Unitholders	679	1,091

7. RELATED PARTIES

The Fund is managed by Smartshares Limited (the 'Investment Manager'), a wholly owned subsidiary of NZX Limited. Smartshares Limited receives management fees directly from the Unitholders. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor in respect of the Fund and receives all basket application and withdrawal fees and interest earned on cash at call. Total management fees for the year amounted to \$261,000 (Year Ended 31 March 2008 \$354,000), with \$39,000 (Mar 2008: \$51,000) outstanding accrued fees due to Smartshares Limited at the end of the period. At 31 March 2009 the Fund has payables to Smartshares Limited of \$nil (Mar 2008: \$177,000).

8. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE AS AT 31 MARCH 2009

Company	Number of securities	Fair value \$
Auckland International Airport Limited	3,481,268	5,952,968
Contact Energy Limited	1,670,912	9,557,617
Fisher & Paykel Healthcare Corporation Limited	1,448,274	4,562,063
Fletcher Building Limited	1,438,436	8,573,079
Infratil Limited	1,479,113	2,159,505
Kiwi Income Property Trust	2,059,745	1,956,758
Ryman Healthcare Limited	1,421,242	1,989,739
SKYCITY Entertainment Group Limited	1,355,374	3,795,047
Sky Network Television Limited	898,048	3,637,094
Telecom Corporation of New Zealand	5,197,017	11,849,199
		54,033,069

All financial assets are designated at inception as being at fair value through the profit or loss. The fair value of financial assets is calculated using the last bid price. The fair value of financial assets held at 31 March 2009 was \$54,033,069 (Mar 2008: \$61,295,293). The investments are registered in the name of The New Zealand Guardian Trust Company Limited, the custodian of the Fund.

9. UNITHOLDERS' FUNDS

As at 31 March 2009 there were 72,267,252 (Mar 2008: 59,424,270) units on issue. Due to the requirements of NZ IFRS, there are differences between the valuation of investments for the purposes of determining the net asset value and for the purposes of preparing the value of financial assets in the financial statements.

For the purposes of determining the net asset value, quoted investment positions are valued at last traded market prices on the relevant trading day in accordance with the Fund's offering documents and Trust Deed. The net asset value of each unit at 31 March 2009 was \$0.7496 (Mar 2008: \$1.0355).

NZ IFRS requires that long quoted investment positions be valued at the closing bid prices (excluding provision for disposal costs) on the relevant trading day. The NZ IFRS net asset value of each unit at 31 March 2009 was \$0.7477 (Mar 2008: \$1.0315).

10. EVENTS AFTER THE BALANCE SHEET DATE

There were no post-balance sheet events.

11. CONTINGENT LIABILITIES

There are no known contingent liabilities as at balance date (Mar 2008: nil).

UNITHOLDER INFORMATION

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS | AS AT 31 MARCH 2009

	No. of holders	% of holders	No. of securities	% of securities
1 to 4,999	834	27.36%	2,102,635	2.91%
5,000 to 49,999	2,104	69.03%	30,779,121	42.59%
50,000 to 499,999	101	3.31%	10,731,014	14.85%
500,000 and above	9	0.30%	28,654,482	39.65%
Total	3,048	100.00%	72,267,252	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES | AS AT 31 MARCH 2009

Full Name	Total	Percentage
New Zealand Central Securities Depository Limited	15,829,877	21.90%
Portfolio Custodian Limited <083470 A/C>	7,224,100	10.00%
Portfolio Custodian Limited <083462 A/C>	1,525,600	2.11%
ANZ Nominees Limited <1563-0001 A/C>	1,280,303	1.77%
Custodial Services Limited <3 A/C>	666,749	0.92%
ANZ Nominees Limited <1783-0001 A/C>	600,565	0.83%
Portfolio Custodian Limited <083466 A/C>	521,300	0.72%
Eeshala Nominees Limited	505,988	0.70%
Roger Arthur Cornish & Nancy Joan Cornish	500,000	0.69%
Mohua Limited	428,903	0.59%
Ross Richard Stuhlmann & Graham John Stevens & Stewart Co Trust Services Ltd	384,899	0.53%
Maori Investments Limited	376,698	0.52%
Custodial Services Limited <8 A/C>	370,324	0.51%
HSBC Nominees (New Zealand) Limited <040-01687-231 A/C>	353,054	0.49%
Portfolio Custodian Limited <083478 A/C>	320,000	0.44%
Custodial Services Limited <2 A/C>	295,367	0.41%
John L Stewart & Meghann P Stewart & Ian J Stewart <Stewart Family A/C 1 A/C>	274,629	0.38%
Thomas William Schnackenberg & Annette Helen Schnackenberg	252,442	0.35%
Portfolio Custodian Limited <083474 A/C>	232,800	0.32%
Citibank Nominees NZ Ltd <Tenz Fund A/C>	193,276	0.27%
	32,136,874	44.45%

SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the file kept by the Fund under section 35C of the Securities Market Act 1988, as at 31 March 2009 Sovereign Assurance Company Limited was a substantial holder in the Fund with 12,280,695 units, and Sovereign Superannuation Trustees Limited was a substantial holder in the Fund with 3,154,022 units. The total number of units on issue at 31 March 2009 was 72,267,252.

DIRECTORS INTERESTS IN UNITS AS AT 31 MARCH 2009

	Beneficial	Non-beneficial
Elaine Campbell	-	-
Damas Potoi	-	-
Geoffrey Brown	5,708	-

UNITHOLDER INFORMATION

CONTINUED

WAIVERS GRANTED

The Special Division of New Zealand Markets Disciplinary Tribunal (formerly NZX Discipline) has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2009:

- 1.9.1 – Provisions of Rules applying to Equity Securities.
- 3.1.1(a) – Compliance with the Listing Rules
- 3.1.3 – Compliance with the provisions in Appendix 6.
- 3.3.1(c) to 3.3.1C and 3.6 – Requirements for an Audit Committee and Independent Directors.
- 3.3.2 to 3.3.12 – Appointment and Rotation of Directors.
- 3.4 – Proceedings and Power of Directors
- 3.5 – Directors' remuneration.
- Section 4 and 3.1.1(b) – Takeover Provisions.
- 7.1.7 – Regulation 23 statements for Offering Documents
- 7.3 – Issues of Securities.
- 7.5 – Issues and Redemptions affecting Control.
- 7.6.1 to 7.6.3 – Buybacks and Redemptions.
- 7.11.1 – Time for Allotment.
- 7.12.2 – Notification of event affecting Securities.
- 8.2.1 to 8.2.3 – Lien on Distributions.
- 8.3.1 – Ruling in relation to Interest Groups.
- 9.1.1(b) – Disposition or acquisition of assets.
- 9.2.1(a) – Material Transactions with Related Parties.
- 10.4.2, 10.5.1(b) – Contents required for Preliminary Announcement and Annual Report.
- 10.5.2 – Half-yearly reporting requirements.
- 10.8.1(a) – Notification of subdivision, consolidation or issue of securities.
- 11.1.1 – Restrictions on Transfers.
- 11.2.3 – Statements after Issues or Transfers.
- 11.1.5 – Approval for restrictions in Trust Deed.
- Appendix 2 – Minimum Holding.



Audit report

To the Unitholders of NZX 10 Fund

We have audited the financial statements on pages 6 to 15. The financial statements provide information about the past financial performance of NZX 10 Fund (“the Fund”) and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 9 to 11.

Managers’ responsibilities

The Funds Manager is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Auditors’ responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgements made by the Manager in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Fund’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Fund.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Fund as far as appears from our examination of those records;
- the financial statements on pages 6 to 15:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 26 May 2009 and our unqualified opinion is expressed as at that date.

Wellington

NZX MIDCAP INDEX FUND (smartMIDZ)

PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

FUND PERFORMANCE

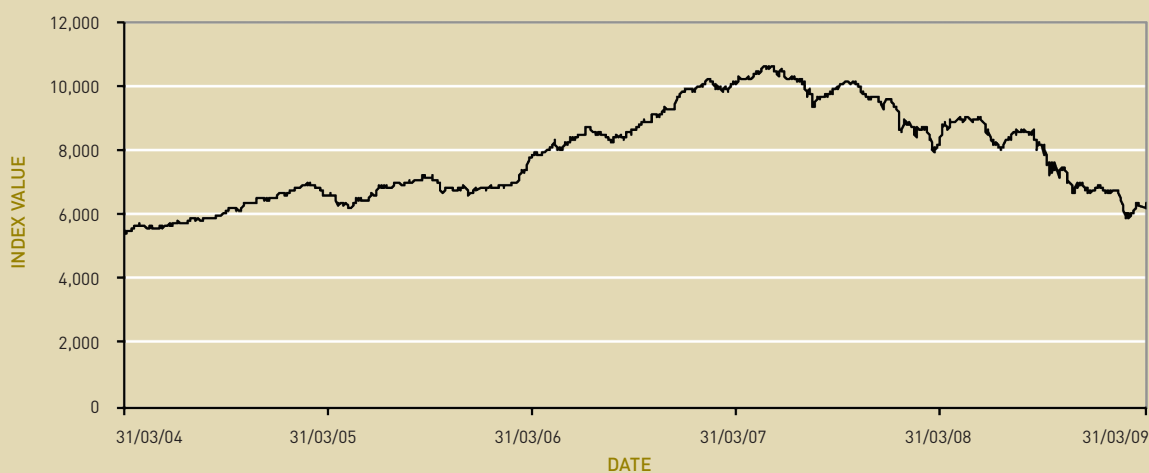
For the year to 31 March 2009, the NZX MidCap Index Fund (smartMIDZ) returned negative 27.76 before the payment of any dividends. For the full year, distributions totalled 12.63 cents per unit gross*. This equates to a gross dividend yield of 6.65% based on the market close price as at 31 March 2009 (market close price at 31 March 2009: \$1.90).

SmartMIDZ had 17.3 million units on issue with a market capitalisation of \$32.4 million as at 31 March 2009.

INDEX PERFORMANCE

The NZX MidCap Gross Index, which includes any dividends paid, returned negative 25.71% over the year. During the last five years the NZX MidCap Gross Index has had an annualised return of 3.59% per annum.

PERFORMANCE OF THE NZX MIDCAP GROSS INDEX (NZD)



KEY METRICS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009					
	31 March 2009	31 March 2008	31 March 2007**	31 December 2006	31 December 2005
NZX MidCap Capital Index	1,877.87	2,679.71	3,351.10	3,320.35	2,385.35
Net assets per unit	\$1.877	\$2.680	\$3.351	\$3.320	\$2.385
Distribution per unit over year*	13.26 cents	13.57 cents	NIL	9.48 cents	14.56 cents
Number of Unitholders	2,211	2,244	2,210	2,125	2,086
Units on issue	17,280,769	17,039,709	16,613,399	16,506,647	17,798,418
Total value of Unitholders' funds (at close prices)	\$32,437,889	\$45,661,228	\$55,171,951	\$54,807,913	\$42,455,407

* Before the deduction of management fees

**The year end for the fund has been changed from December to March. The data quoted is for the three months to 31st March 2007.

smartMIDZ

NZX MIDCAP INDEX FUND (smartMIDZ)

REPORT TO UNITHOLDERS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

Presented by Smartshares Limited, Manager of the NZX MidCap Index Fund

FINANCIAL STATEMENTS

INCOME STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Income			
Company dividends		2,336	2,453
Other income		46	125
Net changes in fair value of financial assets		(13,743)	(11,788)
Total Net Income		(11,361)	(9,210)
Management fees	7	319	413
(Decrease)/Increase in Net Assets Attributable to Unitholders before Tax		(11,680)	(9,623)
Tax expense	4	102	92
(Decrease)/Increase in Net Assets Attributable to Unitholders after Tax		(11,782)	(9,715)

CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Net assets attributable to Unitholders at beginning of period		45,201	54,998
(Decrease)/Increase in net assets attributable to Unitholders this period		(11,782)	(9,715)
Net subscriptions allotted/(redeemed)	5	541	1,991
Distribution accrued to Unitholders	6	(1,961)	(2,073)
Net Assets Attributable to Unitholders at End of Period		31,999	45,201

These financial statements should be read in conjunction with the notes on pages 25-32.

BALANCE SHEET | AS AT 31 MARCH

	Note	2009 \$000	2008 \$000
CURRENT ASSETS			
Cash at call		925	855
Accounts receivable		156	187
Taxation receivable/(payable)		123	161
Total Current Assets		1,204	1,203
NON-CURRENT ASSETS			
Investments in equity securities held at fair value	8	31,999	45,201
Total Non-Current Assets		31,999	45,201
Total Assets		33,203	46,404
CURRENT LIABILITIES			
Accounts Payable		-	221
Management Fees Payable		22	30
Funds held for unit purchases		110	67
Distribution payable to Unitholders	6	1,072	885
Total Liabilities excluding Net Assets Attributable to Unitholders		1,204	1,203
Net Assets attributable to Unitholders		31,999	45,201

These financial statements should be read in conjunction with the notes on pages 25-32

The Board of Directors of Smartshares Limited authorised these financial statements for issue on 26 May 2009.



E CAMPBELL | CHAIRMAN
Smartshares Limited



G B D BROWN | DIRECTOR
Smartshares Limited

CASH FLOW STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Company dividends received		2,394	2,320
Other income received		22	125
Cash inflows from operating activities		2,416	2,445
Cash was applied to:			
Management fees paid		(329)	(518)
Tax paid directly by the Fund	4	(64)	(256)
Cash outflows from operating activities		(393)	(774)
Net Cash Flows from Operating Activities		2,023	1,671
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Net payments made by Fund Manager on behalf / (to Fund Manager)		(221)	39
Cash outflows from investing activities		(221)	39
Net Cash Flows from Investing Activities		(221)	39
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Savings plan and direct purchase deposits		914	1,158
Cash inflows from financing activities		914	1,158
Cash was applied to:			
Purchase of financial assets		(872)	(1,152)
Distributions paid to Unitholders	6	(956)	(1,045)
Distributions paid for dividend reinvestment	6	(818)	(810)
Cash outflows from financing activities		(2,646)	(3,007)
Net Cash Flows from Financing Activities		(1,732)	(1,849)
Net (decrease)/increase in cash held		70	(139)
Opening cash balance		855	994
Cash at End of Period		925	855
RECONCILIATION OF DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES			
(Decrease)/Increase in net assets attributable to Unitholders		(11,782)	(9,715)
Less non-cash items:			
Net changes in fair value of financial assets		13,743	11,788
Operating movement in taxation receivable/payable		39	(164)
Movement in management fee payable		(8)	(105)
Movement in accounts receivable		31	(133)
Net Cash Flows from Operating Activities		2,023	1,671

These financial statements should be read in conjunction with the notes on pages 25-32.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The NZX Midcap Index Fund (the Fund) is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 7 May 1996. Trustees Executors Limited is the trustee of the Fund. The Fund is an Issuer as defined in the Financial Reporting Act 1993 and these financial statements are presented in compliance with the Act. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders and distributions are confined only to dividends received from the portfolio of investments. All changes in the value of investments, both realised and unrealised are recorded in the Income Statement.

The Fund's investment activities are managed by Smartshares Limited (the 'Investment Manager') tracking the NZX Midcap Index. As prescribed by the Trust Deed, the Fund only invests in the securities included in the NZX Midcap Index in proportion to the market capitalisation of the Index and the available capital of the Fund. The Fund's units are listed and traded on the NZX NZSX market. Investments are valued at fair value according to last bid prices on the NZX NZSX market on 31 March 2009 (see Note 8).

2. STATEMENT OF ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements, being the New Zealand dollar (NZD).

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors of Smartshares Limited to exercise its judgement in the process of applying the Fund's accounting policies.

2.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification

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

(b) Recognition/derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, all financial assets 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 at fair value through profit or loss category are presented in the Income Statement when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement as dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

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

2.3 CASH AND CASH EQUIVALENTS

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

Subscriptions subsequent to the initial public offering can be made in the form of baskets of constituent securities of the NZX Midcap Index (i.e. not for cash) and therefore have not been included in the Cash Flow Statement. Redemptions can also be made in the form of baskets and therefore have not been included in the Cash Flow Statement.

2.4 REDEEMABLE UNITS

The Fund issues redeemable units, which are redeemable at the Unitholder's option and are classified as financial liabilities. Redeemable units can be put back to the Fund at any time, in accordance with the redemption rules as defined in the prospectus, for cash equal to a proportionate share of the Fund's net asset value. The redeemable unit is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the unit back to the Fund.

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

2.5 DIVIDEND REVENUE

Company dividend income is recognised when the right to receive payment is established.

2.6 DISTRIBUTIONS PAYABLE TO HOLDERS OF REDEEMABLE UNITS

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

Distribution of this income is made as at 20 June (record date 31 May) and 20 December (record date 30 November) each year.

2.7 TAXATION

The Fund is domiciled in New Zealand and had a binding ruling from the New Zealand Inland Revenue Department which expired on 30th September 2007. The binding ruling stated that any gains realised from the sale of shares, in order to match the composition and weighting of the Index or to fund redemption of units, was not taxable to the Fund. The Fund was registered as a Portfolio Investment Entity (PIE) from 1st October 2007.

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from entities subject to the Fair Dividend Rate (FDR) method) from the entities listed in Note 8. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to Unitholders are imputed to the extent permitted by the imputation credits that the directors of the entity determine are available.

2.8 CHANGES IN ACCOUNTING POLICIES

There have been no material changes to accounting policies during the period.

2.9 COMPARATIVES

Comparative figures where necessary have been restated to correspond to the current year classifications.

3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund does not have exposure to currency risk or interest rate risk.

3.1 MARKET PRICE RISK

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the financial instruments. The market exposures are outlined in Note 8. The Fund's market risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss. In accordance with the terms of the Trust Deed the Fund manager does not manage this risk.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3.2 CREDIT RISK

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash, accounts receivable and investments in equity securities held at fair value. The maximum credit risk of financial instruments is considered to be their fair value. The risk of non-recovery of monetary assets is considered minimal due to the quality of counterparties dealt with. The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at balance date are:

	Mar 2009 \$000	Mar 2008 \$000
Cash	925	855
Accounts receivable	156	187
Investments in equity securities held at fair value	31,999	45,201

3.3 LIQUIDITY RISK

The Fund is exposed to daily cash redemptions. The Fund's listed securities are considered readily realisable, as they are listed on the NZX NZSX market.

4. TAXATION

	Year Ended Mar 2009 \$000	Year Ended Mar 2008 \$000
INCOME TAX EXPENSE		
(Decrease)/Increase in net assets attributable to Unitholders before tax	(11,680)	(9,623)
Add back management fees	319	413
Add back net changes in fair value of financial assets	13,743	11,788
Fully imputed accrued dividends	(155)	(187)
Non-taxable receipts	(589)	(512)
Other	187	55
Gross up of imputation credits	682	782
Gross up of Dividend Withholding Payment (DWP) credits	21	20
Taxable income	2,528	2,736
Taxation at 30% (2008: 33%)	758	903
Less imputation credits, DWP and foreign income tax credits	(656)	(809)
Prior period adjustment	-	(2)
Tax expense	102	92
IMPUTATION CREDITS		
Opening balance	404	329
Imputation credits received during the period	682	782
Net tax paid during the period	64	256
	1,150	1,367
Credits attached to distributions paid	(965)	(1,096)
Prior period adjustment	-	133
Credits available for future distribution	185	404
DIVIDEND WITHHOLDING PAYMENT CREDITS		
Opening balance	20	-
DWP credits received during the period	20	20
Credits attached to distributions paid	(20)	-
Closing balance	20	20

The tax rate used in the above reconciliation is the corporate rate of 30%. There was a change in the corporate tax rate from 33% to 30% from 1 April 2008.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. REDEEMABLE UNITS

All issued units are fully paid and redeemable, and have been admitted to the official listing of the NZX NZSX market. The Fund's capital is represented by these redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units, other than minimum holding requirements as defined in the prospectus. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Unitholders.

To determine the net asset value of the Fund for subscriptions and redemptions, financial assets have been valued based on the last traded market prices as of the close of business on the relevant trading day.

6. DISTRIBUTION TO UNITHOLDERS

	Total attributed to Unitholders Mar 2009 \$000	Total attributed to Unitholders Mar 2008 \$000
Distribution payable at beginning of period	885	667
Distribution accrued to unitholders	1,961	2,073
	2,846	2,740
Distributed to Unitholders	(1,774)	(1,855)
Distribution payable to Unitholders	1,072	885

7. RELATED PARTIES

The Fund is managed by Smartshares Limited (the 'Investment Manager'), a wholly owned subsidiary of NZX Limited. Smartshares Limited receives management fees directly from the Unitholders. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor in respect of the Fund and receives all basket application and withdrawal fees and interest earned on cash at call. Total management fees for the year ended 31 March 2009 amounted to \$319,000 (Year Ended ending 31 March 2008 \$413,000), with \$22,000 (March 2008: \$30,000) outstanding accrued fees due to Smartshares Limited at the end of the period. At 31 March 2009 the Fund has no payables to Smartshares Limited (March 2008: \$221,000).

8. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE AS AT 31 MARCH 2009

Company	Number of securities	Fair value \$
Air New Zealand Limited	1,220,818	1,098,736
AMP NZ Office Trust	2,592,596	2,281,484
Cavalier Corporation Limited	146,763	249,497
EBOS Group Limited	211,713	963,294
Fisher & Paykel Appliances Holdings Limited	1,383,755	664,202
Freightways Limited	619,206	1,764,737
Goodman Property Trust	3,079,125	2,463,300
Hallenstein Glasson Holdings Limited	147,673	316,020
ING Medical Properties Trust	410,858	464,270
ING Property Trust	1,770,372	991,408
Mainfreight Limited	387,665	1,589,427
Michael Hill International Limited	714,359	307,174
Methven Limited	99,694	119,633
Nuplex Industries Limited	396,650	281,622
New Zealand Oil & Gas Limited	1,845,248	2,491,085
The New Zealand Refining Company Limited	167,275	1,154,198
NZ Farming Systems Uruguay Limited	990,650	733,081
NZX Limited	88,009	561,057
Property for Industry Limited	1,021,105	1,102,793
PGG Wrightson Limited	688,467	702,236
Port of Tauranga Limited	290,070	1,479,357
Pumpkin Patch Limited	505,455	520,619
Pike River Coal Limited	731,176	658,058
Pike River Coal Limited Rights Issue B	145,790	22,597
Rakon Limited	307,970	369,564
Sanford Limited	235,665	1,284,374
Skellerup Holdings Limited	295,247	174,196
Steel & Tube Holdings Limited	140,916	362,154
Tourism Holdings Limited	238,234	100,058
TrustPower Limited	251,642	1,774,076
Tower Limited	600,131	774,169
Vector Limited	1,178,414	2,651,432
The Warehouse Group Limited	428,338	1,529,167
		31,999,075

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

All financial assets are designated at inception as being at fair value through profit or loss. The fair value of financial assets is calculated using the last bid price. The fair value of financial assets held at 31 March 2009 was \$31,999,075. (Mar 2008: \$45,201,453). The investments are registered in the name of Custodial Services Limited, the custodian of the Fund.

9. UNITHOLDERS' FUNDS

As at 31 March 2009 there were 17,280,769 (Mar 2008: 17,039,709) units on issue. Due to the requirements of NZ IFRS, there are differences between the valuation of investments for the purposes of determining the net asset value and for the purposes of preparing the value of financial assets in the financial statements.

For the purposes of determining the net asset value, quoted investment positions are valued at last traded market prices on the relevant trading day in accordance with the Fund's offering documents and Trust Deed. The net asset value of each unit at 31 March 2009 was \$1.8771 (Mar 2008: \$2.6797).

NZ IFRS requires that long quoted investment positions be valued at the closing bid prices (excluding provision for disposal costs) on the relevant trading day. The NZ IFRS net asset value of each unit at 31 March 2009 was \$1.8517 (Mar 2008: \$2.6527).

10. EVENTS AFTER THE BALANCE SHEET DATE

There were no post-balance sheet events.

11. CONTINGENT LIABILITIES

There are no known contingent liabilities as at balance date (Mar 2008: nil).

UNITHOLDER INFORMATION

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS | AS AT 31 MARCH 2009

	No. of holders	% of holders	No. of securities	% of securities
1 to 4,999	1,197	54.14%	2,996,057	17.34%
5,000 to 49,999	991	44.82%	11,368,506	65.78%
50,000 to 499,999	23	1.04%	2,916,206	16.88%
500,000 and above	-	0.00%	-	0.00%
Total	2,211	100.00%	17,280,769	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES | AS AT 31 MARCH 2009

Full Name	Total	Percentage
Custodial Services Limited <3 A/C>	366,209	2.12%
Custodial Services Limited <2 A/C>	275,905	1.60%
Custodial Services Limited <8 A/C>	268,714	1.55%
Investment Custodial Services Limited <C A/C>	216,333	1.25%
New Zealand Law Foundation	214,252	1.24%
HSBC Nominees (New Zealand) Limited <040-01687-231 A/C>	182,170	1.05%
Mohua Limited	156,698	0.91%
Citibank Nominees New Zealand Limited	153,059	0.89%
William Evans	133,621	0.77%
Maori Investments Limited	127,061	0.74%
NZ Guardian Trust Co Limited <Hohepa Foundation General Fund A/C>	122,505	0.71%
Dennis George Row & Joan Doran Row & SW Trust Services Limited <Avalon A/C>	82,067	0.47%
Daisy Joyce Burrell	63,926	0.37%
Mr Martin Johnson	63,205	0.37%
Gavin Douglas Horne & Brett Richard Highsted <Atf Doug Horne Family A/C>	61,244	0.35%
Geoffrey Wayne Smith	56,429	0.33%
Kerry Wayne Petersen & Beverly Petersen	56,395	0.33%
Kathryn May Kelly & David Anderson Smith <Kelly Dickison A/C>	56,160	0.32%
David Anderson Smith & Graeme Albert Smail <Logan Leith No 2 A/C>	56,160	0.32%
Joan Cann & Stuart Raymond Cann <Ns & J Cann A/C>	52,528	0.30%
	2,764,641	15.99%

SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the file kept by the Fund under section 35C of the Securities Market Act 1988, there were no substantial holders in the Fund as at 31 March 2009. The total number of units on issue at 31 March 2009 was 17,280,769.

UNITHOLDER INFORMATION

CONTINUED

DIRECTORS INTERESTS IN UNITS | AS AT 31 MARCH 2009

	Beneficial	Non-beneficial
Elaine Campbell	nil	nil
Geoffrey Brown	nil	nil
Damas Potoi	nil	nil

WAIVERS GRANTED

The Special Division of New Zealand Markets Disciplinary Tribunal (formerly NZX Discipline) has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2009:

- 1.9.1 – Provisions of Rules applying to Equity Securities.
- 3.1.1(a) – Compliance with the Listing Rules
- 3.1.3 – Compliance with the provisions in Appendix 6.
- 3.3.1(c) to 3.3.1C and 3.6 – Requirements for an Audit Committee and Independent Directors.
- 3.3.2 to 3.3.12 – Appointment and Rotation of Directors.
- 3.4 – Proceedings and Power of Directors
- 3.5 – Directors' remuneration.
- Section 4 and 3.1.1(b) – Takeover Provisions.
- 7.1.7 – Regulation 23 statements for Offering Documents.
- 7.1.11 – Minimum Subscription.
- 7.3 – Issues of Securities.
- 7.4 – Entitlements to Third Parties.
- 7.5 – Issues and Redemptions affecting Control.
- 7.6.1 to 7.6.3 – Buybacks and Redemptions.
- 7.11.1 – Time for Allotment.
- 7.12.2 – Notification of event affecting Securities.
- 8.2.1 to 8.2.3 – Lien on Distributions.
- 8.3.1 – Ruling in relation to Interest Groups.
- 9.1.1(b) – Disposition or acquisition of assets.
- 9.2.1(a) – Material Transactions with Related Parties.
- 10.4.2, 10.5.1(b) – Contents required for Preliminary Announcement and Annual Report.
- 10.5.2 – Half-yearly reporting requirements.
- 10.8.1(a) – Notification of subdivision, consolidation or issue of securities.
- 11.1.1 – Restrictions on Transfers.
- 11.2.3 – Statements after Issues or Transfers.
- 11.1.5 – Approval for restrictions in Trust Deed.
- Appendix 2 – Minimum Holding.



Audit report

To the Unitholders of NZX Midcap Index Fund

We have audited the financial statements on pages 22 to 32. The financial statements provide information about the past financial performance of NZX Midcap Index Fund (“the Fund”) and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 25 to 27.

Managers’ responsibilities

The Funds Manager is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Auditors’ responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgements made by the Manager in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Fund’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Fund.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Fund as far as appears from our examination of those records;
- the financial statements on pages 22 to 32:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 26 May 2009 and our unqualified opinion is expressed as at that date.

Wellington

NZX 50 PORTFOLIO INDEX FUND (smartFONZ)

PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

FUND PERFORMANCE

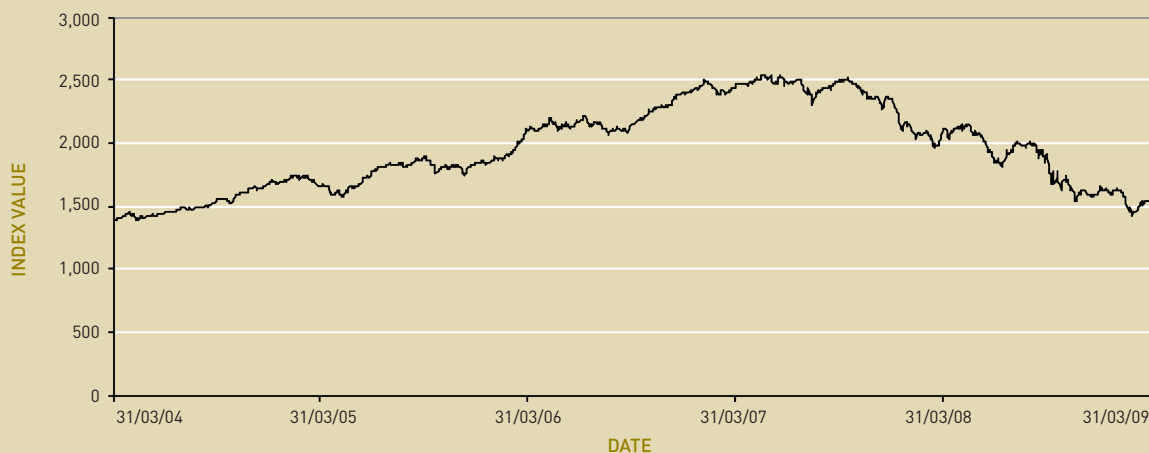
For the year to 31 March 2009, the NZX 50 Portfolio Fund (smartFONZ) returned negative 24.80% before the payment of any dividends. For the full year, distributions totalled 6.40 cents per unit gross*. This equates to a gross dividend yield of 5.75% based on the market price as at 31 March 2009 (market close price at 31 March 2009: \$1.113).

SmartFONZ had 40.8 million units on issue with a market capitalisation of \$43.8 million as at 31 March 2009.

INDEX PERFORMANCE

The NZX 50 Portfolio Gross Index, which includes any dividends paid, returned negative 24.59% over the year. During the last five years the NZX 50 Portfolio Gross Index has had an annualised gross return of 2.08% per annum.

PERFORMANCE OF THE NZX 50 PORTFOLIO GROSS INDEX (NZD)



KEY METRICS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

	31 March 2009	31 March 2008	31 March 2007**	31 December 2006	31 December 2005
NZSX 50 Portfolio Capital Index	1,077.30	1,513.45	1,894.14	1,893.50	1,514.94
Net asset value per unit	\$1.076	\$1.511	\$1.894	\$1.894	\$1.515
Distribution per unit over year*	6.40 cents	6.40 cents	NIL	5.89 cents	4.57 cents
Number of Unitholders	2,853	3,118	2,922	2,786	2,535
Units on issue	40,751,233	25,849,151	21,864,470	20,091,960	19,356,940
Total value of Unitholders' funds (at close prices)	\$43,854,197	\$39,070,627	\$41,414,257	\$38,044,207	\$29,324,825

* Before the deduction of management fees

**The year end for the fund has been changed from December to March. The data quoted is for the three months to 31st March 2007.

smartFONZ

NZX 50 PORTFOLIO INDEX FUND (smartFONZ)

REPORT TO UNITHOLDERS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

Presented by Smartshares Limited, Manager of the NZX 50 Portfolio Index Fund

FINANCIAL STATEMENTS

INCOME STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Income			
Company dividends		2,316	1,996
Other income		-	39
Net changes in fair value of financial assets		(13,945)	(9,540)
Total Net Income		(11,629)	(7,505)
Management fees	7	240	312
(Decrease)/Increase in Net Assets Attributable to Unitholders before Tax		(11,869)	(7,817)
Tax expense	4	238	165
(Decrease)/Increase in Net Assets Attributable to Unitholders after Tax		(12,107)	(7,982)

CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Net assets attributable to Unitholders at beginning of period		38,733	41,255
(Decrease)/Increase in net assets attributable to Unitholders this period		(12,107)	(7,982)
Net subscriptions allotted	5	18,735	7,018
Distribution accrued to Unitholders	6	(1,838)	(1,558)
Net Assets Attributable to Unitholders at End of Period		43,523	38,733

These financial statements should be read in conjunction with the notes on pages 41-48

BALANCE SHEET | AS AT 31 MARCH

	Note	2009 \$000	2008 \$000
CURRENT ASSETS			
Cash at call		1,129	648
Accounts receivable		250	215
Taxation receivable		-	222
Total Current Assets		1,379	1,085
NON-CURRENT ASSETS			
Investments in equity securities held at fair value	8	43,523	38,733
Total Non-Current Assets		43,523	38,733
Total Assets		44,902	39,818
CURRENT LIABILITIES			
Accounts Payable		35	94
Management Fees Payable		50	46
Funds held for unit purchases		249	216
Distribution payable to Unitholders	6	1,015	709
Tax payable		8	-
Deferred tax	4	22	20
Total Liabilities excluding Net Assets Attributable to Unitholders		1,379	1,085
Net Assets Attributable to Unitholders		43,523	38,733

These financial statements should be read in conjunction with the notes on pages 41-48

The Board of Directors of Smartshares Limited authorised these financial statements for issue on 26 May 2009.



E CAMPBELL | CHAIRMAN
Smartshares Limited



G B D BROWN | DIRECTOR
Smartshares Limited

CASH FLOW STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Company dividends received		2,281	1,782
Other income		6	39
Net tax refunded		10	-
Cash inflows from operating activities		2,297	1,821
Cash was applied to:			
Management fees paid		(248)	(291)
Tax paid directly by the Fund		-	(180)
Cash outflows from operating activities		(248)	(471)
Net Cash Flows from Operating Activities		2,049	1,350
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Net repayments to fund manager		(9)	(272)
Cash outflows from investing activities		(9)	(272)
Net Cash Flows from Investing Activities		(9)	(272)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Savings plan and direct purchase deposits		5,160	4,185
Cash inflows from financing activities		5,160	4,185
Cash was applied to:			
Purchase of financial assets		(5,187)	(4,307)
Dividend reinvestment	6	(893)	(962)
Distributions directly to unitholders	6	(639)	(229)
Cash outflows from financing activities		(6,719)	(5,498)
Net Cash Flows from Financing Activities		(1,559)	(1,313)
Net decrease in cash held		481	(235)
Opening cash balance		648	883
Cash at End of Period		1,129	648
RECONCILIATION OF DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES			
(Decrease)/Increase in net assets attributable to Unitholders		(12,107)	(7,982)
Less non-cash items:			
Net changes in fair value of financial assets		13,945	9,540
Operating movement in tax receivable		330	(35)
Movement in deferred tax		2	20
Movement in management fees payable		4	21
Operating movement in accounts payable		(90)	-
Movement in accounts receivable		(35)	(214)
Net Cash Flows from Operating Activities		2,049	1,350

These financial statements should be read in conjunction with the notes on pages 41-48

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The NZX 50 Portfolio Index Fund (the Fund) is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 15 October 2004. The Fund is an Issuer as defined in the Financial Reporting Act 1993 and these financial statements are presented in compliance with the Act. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders and distributions are confined only to dividends received from the portfolio of investments. All changes in the value of investments in equity securities, both realised and unrealised are recorded in the Income Statement.

The Fund's investment activities are managed by Smartshares Limited (the 'Investment Manager') tracking the NZX 50 Portfolio Index. As prescribed by the Trust Deed, the Fund only invests in the securities included in the NZX 50 in proportion to the market capitalisation of the Index and the available capital of the Fund. The Fund's units are listed and traded on the NZX NZSX market. Investments are valued at fair value according to last bid prices on the NZX NZSX market on 31 March 2009 (see Note 8).

2. STATEMENT OF ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements, being the New Zealand Dollar (NZD).

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies.

2.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification

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

(b) Recognition/derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, all financial assets 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 at fair value through profit or loss category are presented in the Income Statement when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

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

2.3 CASH AND CASH EQUIVALENTS

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

Subscriptions subsequent to the initial public offering can be made in the form of baskets of constituent securities of the NZX 50 Portfolio Index (i.e. not for cash) and therefore have not been included in the Cash Flow Statement. Redemptions can also be made in the form of baskets and therefore have not been included in the Cash Flow Statement.

2.4 REDEEMABLE UNITS

The Fund issues redeemable units, which are redeemable at the Unitholder's option and are classified as financial liabilities. Redeemable units can be put back to the Fund at any time, in accordance with the redemption rules as defined in the prospectus, for cash equal to a proportionate share of the Fund's net asset value. The redeemable unit is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the unit back to the Fund.

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

2.5 DIVIDEND REVENUE

Company dividend income is recognised when the right to receive payment is established.

2.6 DISTRIBUTIONS PAYABLE TO HOLDERS OF REDEEMABLE UNITS

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

Distribution of this income is made as at 20 March (record date 29 February) and 20 September (record date 31 August) each year.

2.7 TAXATION

The fund is domiciled in New Zealand and had a binding ruling from the New Zealand Inland Revenue Department which expired on 30th September 2007. The binding ruling stated that any gains realised from the sale of shares, in order to match the composition and weighting of the Index or to fund redemption of units, was not taxable to the Fund. The Fund was registered as a Portfolio Investment Entity (PIE) from 1st October 2007.

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from entities subject to the Fair Dividend Rate method) from the entities listed in Note 8. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to Unitholders are imputed to the extent permitted by the imputation credits that the directors of the entity determine are available.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.8 CHANGES IN ACCOUNTING POLICIES

There have been no material changes to accounting policies during the period

2.9 COMPARATIVES

Comparative figures where necessary have been restated to correspond to the current year classifications

3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund does not have exposure to interest rate risk.

3.1 MARKET PRICE RISK

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the financial instruments. The market exposures are outlined in Note 8. The Fund's market risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss. In accordance with the terms of the Trust Deed the Fund manager does not manage this risk.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3.2 CREDIT RISK

The Fund is exposed to credit risk, the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash, accounts receivable and investments in equity securities held at fair value. The maximum credit risk of financial instruments is considered to be fair value. The risk of non-recovery of monetary assets is considered minimal due to the quality of counterparties dealt with. The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at balance date are:

	Mar 2009 \$000	Mar 2008 \$000
Cash	1,129	648
Accounts receivable	250	215
Investments	43,523	38,733

3.3 LIQUIDITY RISK

The Fund is exposed to daily cash redemptions. The Fund's listed securities are considered readily realisable, as they are listed on the NZX NZSX market.

4. TAXATION

	Year Ended Mar 2009 \$000	Year Ended Mar 2008 \$000
INCOME TAX EXPENSE		
(Decrease)/Increase in net assets attributable to Unitholders before tax	(11,869)	(7,817)
Add back management fees	240	312
Add back net changes in fair value of financial assets	13,945	9,540
Non-taxable income	(286)	(196)
Fully imputed accrued dividends	(29)	(149)
Gross up of FWT & RWT withheld on dividends	17	32
Gross up of imputation credits	584	578
Unrealised losses assessable for FIF tax	-	(18)
Taxable income on FDR securities	-	1
Taxable income	2,602	2,283
Taxation at 30% (2008: 33%)	781	753
Less imputation credits and other tax credits	(571)	(610)
Change in corporate tax rate	-	(1)
Prior period adjustment	28	23
Tax expense/(credit)	238	165

	Year Ended Mar 2009 \$000	Year Ended Mar 2008 \$000
DEFERRED TAX		
Opening balance	(20)	-
Current year movement	(2)	(21)
Change in corporate tax rate	-	1
Closing balance	(22)	(20)
IMPUTATION CREDITS		
Opening balance	231	169
Imputation credits received during the period	584	578
Net tax paid during the period	77	79
	892	826
Credits attached to distributions paid	(702)	(611)
Prior period adjustment	-	16
Credits available for future distribution	190	231
DIVIDEND WITHHOLDING PAYMENT CREDITS		
Opening balance	77	38
DWP credits received during the period	9	113
Credits attached to distributions paid	(114)	(102)
Net tax paid during the period	39	
Prior period adjustment	-	28
Closing balance	11	77

The tax rate used in the above reconciliation is the corporate rate of 30%. There was a change in the corporate tax rate from 33% to 30% from 1 April 2008. The deferred tax balance at 31 March 2008 is calculated using the new corporate tax rate, and the adjustment above shows the effect of the change in rate of deferred tax.

5. REDEEMABLE UNITS

All issued units are fully paid and redeemable, and have been admitted to the official listing of the NZX NZSX market. The Fund's capital is represented by these redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units, other than minimum holding requirements as defined in the prospectus. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Unitholders.

To determine the net asset value of the Fund for subscriptions and redemptions, financial assets have been valued based on the last traded market prices as of the close of business on the relevant trading day.

6. DISTRIBUTION TO UNITHOLDERS

	Total attributed to Unitholders Mar 2009 \$000	Total attributed to Unitholders Mar 2008 \$000
Distribution payable at beginning of period	709	342
Distribution accrued to Unitholders	1,838	1,558
	2,547	1,900
Distributed to Unitholders	(1,532)	(1,191)
Distribution payable to Unitholders	1,015	709

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

7. RELATED PARTIES

The Fund is managed by Smartshares Limited (the 'Investment Manager'), a wholly owned subsidiary of NZX Limited. Smartshares Limited receives management fees directly from the Unitholders. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor in respect of the Fund and receives all basket application and withdrawal fees and interest earned on cash at call. Total management fees for the year ended 31 March 2009 amounted to \$240,473 (year ending 31 March 2008 \$312,000), with \$50,448 (Mar 2008: \$46,000) outstanding accrued fees due to Smartshares Limited at the end of the period. At 31 March 2009 the Fund had a payables to Smartshares Limited of \$29,110. (Mar 2008 receivable of \$2,000).

8. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE AS AT 31 MARCH 2009

Company	Number of securities	Fair value \$
Air New Zealand Limited	584,035	525,632
AMP Limited	98,393	560,840
AMP NZ Office Trust	1,240,287	1,091,453
Australia and New Zealand Banking Group Limited	47,032	870,092
APN News & Media Limited	323,767	440,323
Auckland International Airport Limited	1,376,140	2,353,199
Cavalier Corporation Limited	70,211	119,359
Contact Energy Limited	334,154	1,911,361
EBOS Group Limited	101,283	460,838
Fisher & Paykel Appliances Holdings Limited	661,983	317,752
Fisher & Paykel Healthcare Corporation Limited	1,010,262	3,182,325
Fletcher Building Limited	363,221	2,164,797
Freightways Limited	296,226	844,244
Goodman Fielder Limited	926,370	1,139,435
Goodman Property Trust	1,473,041	1,178,433
Guinness Peat Group Plc	2,621,686	1,992,481
Hallenstein Glasson Holdings Limited	70,646	151,182
Infratil Limited	1,196,565	1,746,985
ING Medical Properties Trust	196,553	222,105
ING Property Trust	846,938	474,285
Kiwi Income Property Trust	1,666,282	1,582,968
Lion Nathan Limited	51,105	490,608
Mainfreight Limited	185,457	760,374
Methven Limited	47,693	57,232
Michael Hill International Limited	341,746	146,951
NZX Limited	42,104	268,413

8. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE AS AT 31 MARCH 2009 | continued

Company	Number of securities	Fair value \$
New Zealand Oil & Gas Limited	882,759	1,191,725
Nuplex Industries Limited	189,755	134,726
NZ Farming Systems Uruguay Limited	473,924	350,704
NZ Refining Company Limited	80,023	552,159
PGG Wrightson Limited	329,360	335,947
Pike River Coal Limited	349,794	314,815
Pike River Coal Limited Rights Issue B	69,745	10,810
Port of Tauranga Limited	138,769	707,722
Property For Industry Limited	488,492	527,571
Pumpkin Patch Limited	241,807	249,061
Rakon Limited	147,332	176,798
Ryman Healthcare Limited	1,149,748	1,609,647
Sanford Limited	112,741	614,438
Skellerup Holdings Limited	141,245	83,335
SKYCITY Entertainment Group Limited	472,038	1,321,706
Sky Network Television Limited	699,041	2,831,116
Steel & Tube Holdings Limited	67,413	173,251
Telecom Corporation of New Zealand Limited	774,389	1,765,607
Telstra Corporation Limited	34,224	131,762
The Warehouse Group Limited	204,915	731,547
Tourism Holdings Limited	113,970	47,867
Tower Limited	287,100	370,359
TrustPower Limited	120,385	848,714
Vector Limited	563,749	1,268,435
Westpac Banking Corporation	90,754	2,119,106
		43,522,596

All financial assets are designated at inception as being at fair value through profit or loss. The fair value of financial assets is calculated using the last bid price. The fair value of financial assets held at 31 March 2009 was \$43,522,596 (Mar 2008: \$38,733,351). The investments are registered in the name of The New Zealand Guardian Trust Company Limited, the custodian of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9. UNITHOLDERS' FUNDS

As at 31 March 2009 there were 40,751,233 (Mar 2008: 25,849,151) units on issue. Due to the requirement of NZ IFRS, there are differences between the valuation of investments for the purposes of determining the net asset value and for the purposes of preparing the value of financial assets in the financial statements.

For the purposes of determining the net asset value, quoted investment positions are valued at last traded market prices on the relevant trading day in accordance with the Fund's offering documents and Trust Deed. The net asset value of each unit at 31 March 2009 was \$1.0761 (Mar 2008: \$1.5115).

NZ IFRS requires that long quoted investment positions be valued at the closing bid prices (excluding provision for disposal costs) on the relevant trading day. The NZ IFRS net asset value of each unit at 31 March 2009 was \$1.0680 (Mar 2008: \$1.4984).

10. EVENTS AFTER THE BALANCE SHEET DATE

There were no post-balance sheet events.

11. CONTINGENT LIABILITIES

There are no known contingent liabilities as at balance date (Mar 2008: nil).

UNITHOLDER INFORMATION

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS | AS AT 31 MARCH 2009

	No. of holders	% of holders	No. of securities	% of securities
1 to 4,999	1,669	58.50%	4,043,630	9.92%
5,000 to 49,999	1,133	39.71%	14,039,787	34.46%
50,000 to 499,999	46	1.61%	4,487,539	11.01%
500,000 and above	5	0.18%	18,180,277	44.61%
Total	2,853	100.00%	40,751,233	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES | AS AT 31 MARCH 2009

Full Name	Total	Percentage
Investment Custodial Services Limited <C A/C>	10,958,169	26.89%
FNZ Custodians Limited	3,979,058	9.76%
NZGT Superannuation Trustees Limited <Smartkiwi Growth Fund A/C>	2,161,902	5.31%
Cole James Investments Ltd	545,491	1.34%
NZGT Superannuation Trustees Limited <Smartkiwi Balanced Fund A/C>	535,657	1.31%
Presbyterian Church Property Trustees	368,772	0.90%
Citibank Nominees New Zealand Limited	323,975	0.80%
Mohua Limited	287,365	0.71%
Lola Nominees Limited	233,763	0.57%
Tamaoho W Vercoe, Charles O Elliott & Beverley N Hughes <Putauaki A/C>	177,963	0.44%
Custodial Services Limited <2 A/C>	160,691	0.39%
Private Nominees Limited <Residents A/C>	149,000	0.37%
Oceanpro Holdings Limited	134,134	0.33%
NZGT Superannuation Trustees Limited <Smartkiwi Conservative Fund>	130,505	0.32%
Custodial Services Limited <3 A/C>	109,934	0.27%
Trevor Paul Fitzjohn & John Livingston Marshall	105,042	0.26%
Tahi Ventures Limited	101,626	0.25%
James Edward Morton & John Lewis Mansfield <Morton Family A/C>	100,954	0.25%
Peter Eric Tyndel	92,784	0.23%
Peter L Boyle & Leonard A Boyle & Timothy C Boyle <Terry Boyle Memorial A/C>	88,560	0.22%
	20,745,345	50.92%

UNITHOLDER INFORMATION

CONTINUED

SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the file kept by the Fund under section 35C of the Securities Market Act 1988, NZGT Superannuation Trustees Limited <Smartkiwi Growth Fund A/C> was a substantial holder in the Fund as at 31 March 2009 with 2,161,902 units. The total number of units on issue at 31 March 2009 was 40,751,233.

DIRECTORS INTERESTS IN UNITS | AS AT 31 MARCH 2009

	Beneficial	Non-beneficial
Elaine Campbell	24,867	nil
Geoffrey Brown	nil	nil
Damas Potoi	nil	nil

WAIVERS GRANTED

The Special Division of New Zealand Markets Disciplinary Tribunal (formerly NZX Discipline) has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2009:

- 1.9.1 – Provisions of Rules applying to Equity Securities.
- 3.1.1(a) – Compliance with the Listing Rules
- 3.1.3 – Compliance with the provisions in Appendix 6.
- 3.3.1(c) to 3.3.1C and 3.6 – Requirements for an Audit Committee and Independent Directors.
- 3.3.2 to 3.3.12 – Appointment and Rotation of Directors.
- 3.4 – Proceedings and Power of Directors
- 3.5 – Directors' remuneration.
- Section 4 and 3.1.1(b) – Takeover Provisions.
- 7.1.7 – Regulation 23 statements for Offering Documents.
- 7.3 – Issues of Securities.
- 7.4 – Entitlements to Third Parties.
- 7.5 – Issues and Redemptions affecting Control.
- 7.6.1 to 7.6.3 – Buybacks and Redemptions.
- 7.11.1 – Time for Allotment.
- 7.12.2 – Notification of event affecting Securities.
- 8.2.1 to 8.2.3 – Lien on Distributions.
- 8.3.1 – Ruling in relation to Interest Groups.
- 9.1.1(b) – Disposition or acquisition of assets.
- 9.2.1(a) – Material Transactions with Related Parties.
- 10.4.2, 10.5.1(b) – Contents required for Preliminary Announcement and Annual Report.
- 10.5.2 – Half-yearly reporting requirements.
- 10.8.1(a) – Notification of subdivision, consolidation or issue of securities.
- 11.1.1 – Restrictions on Transfers.
- 11.2.3 – Statements after Issues or Transfers.
- 11.1.5 – Approval for restrictions in Trust Deed.
- Appendix 2 – Minimum Holding.



Audit report

To the Unitholders of NZX 50 Portfolio Index Fund

We have audited the financial statements on pages 38 to 48. The financial statements provide information about the past financial performance of NZX 50 Portfolio Index Fund (“the Fund”) and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 41 to 43.

Managers’ responsibilities

The Funds Manager is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Auditors’ responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgements made by the Manager in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Fund’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Fund.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Fund as far as appears from our examination of those records;
- the financial statements on pages 38 to 48:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 26 May 2009 and our unqualified opinion is expressed as at that date.

Wellington

NZX AUSTRALIAN MIDCAP INDEX FUND (smartMOZY)

PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

FUND PERFORMANCE

For the year to 31 March 2009, the NZX Australian MidCap Fund (smartMOZY) returned negative 38.35% before the payment of any dividends. For the full year, distributions totalled 20.12 cents per unit gross*. This equates to a gross dividend yield of 5.39% based on the market close price at as at 31 March 2009 (market close price at 31 March 2009: \$3.73).

SmartMOZY had 9.8 million units on issue with a market capitalisation of NZ\$35.8 million as at 31 March 2009.

INDEX PERFORMANCE

The S&P/ASX MidCap 50 Accumulation Index, which includes dividends paid, returned negative 40.80% over the year. During the last five years the S&P/ASX MidCap 50 Accumulation Index has had an annualised gross return of 4.70% per annum.

PERFORMANCE OF THE S&P/ASX MIDCAP 50 GROSS INDEX (NZD)



KEY METRICS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

	31 March 2009	31 March 2008	31 March 2007**	31 December 2006	31 December 2005
S&P/ASX MidCap 50 Index (NZD)	3,742.55	6,376.82	7,042.49	6,568.94	5,183.19
Net asset value per unit (NZD)	\$3.67	\$6.31	\$7.04	\$6.56	\$5.18
Distribution per unit over year*	20.12 cents	18.93 cents	10.29 cents	18.83 cents	14.00 cents
Number of Unitholders	2,710	2,727	2,459	2,655	2,410
Units on issue	9,764,047	9,365,281	9,339,744	9,338,457	8,756,347
Total value of Unitholders' funds (in NZD at close prices)	\$35,859,793	\$59,108,247	\$65,776,258	\$61,343,765	\$45,385,992

* Before the deduction of management fees

**The year end for the fund has been changed from December to March. The data quoted is for the three months to 31st March 2007.

smartMOZY

NZX AUSTRALIAN MIDCAP INDEX FUND (smartMOZY)

REPORT TO UNITHOLDERS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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

FINANCIAL STATEMENTS

INCOME STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Income			
Company dividends		2,139	2,219
Other income		-	83
Net changes in fair value of financial assets		(24,828)	(6,725)
Total Net Income		(22,689)	(4,423)
Management fees	7	371	517
(Decrease)/Increase in Net Assets Attributable to Unitholders before Tax		(23,060)	(4,940)
Tax expense	4	537	1,028
(Decrease)/Increase in Net Assets Attributable to Unitholders after Tax		(23,597)	(5,968)

CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Net assets attributable to Unitholders at beginning of period		58,475	65,512
(Decrease)/Increase in net assets attributable to Unitholders this period		(23,597)	(5,968)
Net subscriptions allotted/(redeemed)	5	1,714	(395)
Distribution accrued to Unitholders	6	(1,231)	(674)
Net Assets Attributable to Unitholders at End of Period		35,361	58,475

These financial statements should be read in conjunction with the notes on pages 57 - 64

BALANCE SHEET | AS AT 31 MARCH

	Note	2009 \$000	2008 \$000
CURRENT ASSETS			
Cash at call		331	342
Accounts receivable		346	373
Taxation receivable/(payable)		77	390
Total Current Assets		754	1,105
NON-CURRENT ASSETS			
Investments in equity securities held at fair value	8	35,361	58,475
Total Non-Current Assets		35,361	58,475
Total Assets		36,115	59,580
CURRENT LIABILITIES			
Accounts payable		58	338
Management fees payable		23	83
Funds held for unit purchases		169	205
Distribution payable to Unitholders	6	400	367
Deferred tax	4	104	112
Total Liabilities excluding Net Assets Attributable to Unitholders		754	1,105
Net Assets Attributable to Unitholders		35,361	58,475

These financial statements should be read in conjunction with the notes on pages 57 - 64

The Board of Directors of Smartshares Limited authorised these financial statements for issue on 26 May 2009.



E CAMPBELL | CHAIRMAN
Smartshares Limited



G B D BROWN | DIRECTOR
Smartshares Limited

CASH FLOW STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Company dividends received		2,165	2,299
Other income		-	83
Cash inflows from operating activities		2,165	2,382
Cash was applied to:			
Management fees paid		(432)	(476)
Tax paid directly by the Fund		(512)	(1,706)
Cash outflows from operating activities		944	(2,182)
Net Cash Flows from Operating Activities		1,221	200
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Savings plan and direct purchase deposits		3,290	2,892
Proceeds from sale of investments	6	327	679
Cash inflows from financing activities		3,617	3,571
Cash was applied to:			
Purchase of financial assets		(3,324)	(2,885)
Distributions paid to Unitholders	6	(691)	(594)
Distributions paid for dividend reinvestment	6	(834)	(762)
Cash outflows from financing activities		(4,849)	(4,241)
Net Cash Flows from Financing Activities		(1,232)	(670)
Net decrease in cash held		(11)	(470)
Opening cash balance		342	812
Cash at End of Period		331	342
RECONCILIATION OF DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES			
(Decrease)/Increase in net assets attributable to Unitholders After Tax		(23,597)	(5,968)
Less non-cash items:			
Net changes in fair value of financial assets		24,828	6,725
Operating movement in taxation receivable/payable		311	(515)
Movement in deferred tax		(8)	(37)
Movement in management fees payable		(60)	41
Movement in accounts receivable		27	80
Operating movement in accounts payable		(280)	(126)
Net Cash Flows from Operating Activities		1,221	200

These financial statements should be read in conjunction with the notes on pages 57 - 64

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The NZX Australian Midcap Index Fund (the Fund) is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 10 August 2004. The Fund is an Issuer as defined in the Financial Reporting Act 1993 and these financial statements are presented in compliance with the Act. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders and distributions are confined only to dividends received from the portfolio of investments. All changes in the value of investments, both realised and unrealised are recorded in the Income Statement.

The Fund's investment activities are managed by Smartshares Limited (the 'Investment Manager') tracking the NZX Australian Midcap Index. As prescribed by the Trust Deed, the Fund only invests in the securities included in the ASX S&P Midcap 50 Index in proportion to the market capitalisation of the Index and the available capital of the Fund. The Fund's units are listed and traded on the NZX NZSX market. Investments are valued at fair value according to last bid prices on the Australian Exchange on 31 March 2009 (see Note 8).

2. STATEMENT OF ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements, being the New Zealand Dollar (NZD).

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies.

2.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification

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

(b) Recognition/derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, all financial assets 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 at fair value through profit or loss' category are presented in the Income Statement when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

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

2.3 CASH AND CASH EQUIVALENTS

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

Subscriptions subsequent to the initial public offering can be made in the form of baskets of constituent securities of the ASX S&P Midcap 50 Index (i.e. not for cash) and therefore have not been included in the Cash Flow Statement. Redemptions can also be made in the form of baskets and therefore have not been included in the Cash Flow Statement.

2.4 REDEEMABLE UNITS

The Fund issues redeemable units, which are redeemable at the Unitholder's option and are classified as financial liabilities. Redeemable units can be put back to the Fund at any time, in accordance with the redemption rules as defined in the prospectus, for cash equal to a proportionate share of the Fund's net asset value. The redeemable unit is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the unit back to the Fund.

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

2.5 DIVIDEND REVENUE

Company dividend income is recognised when the right to receive payment is established.

2.6 DISTRIBUTIONS PAYABLE TO HOLDERS OF REDEEMABLE UNITS

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

Distribution of this income is made as at 20 March (record date 29 February) and 20 September (record date 31 August) each year.

2.7 TAXATION

The fund is domiciled in New Zealand and had a binding ruling from the New Zealand Inland Revenue Department which expired on 30th September 2007. The binding ruling stated that any gains realised from the sale of shares, in order to match the composition and weighting of the Index or to fund redemption of units, was not taxable to the Fund. The Fund was registered as a Portfolio Investment Entity (PIE) from 1st October 2007.

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from entities subject to the Fair Dividend Rate method) from the entities listed in Note 8. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to Unitholders are imputed to the extent permitted by the imputation credits that the directors of the entity determine are available.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.8 CHANGES IN ACCOUNTING POLICIES

There have been no material changes to accounting policies during the period

2.9 COMPARATIVES

Comparative figures where necessary have been restated to correspond to the current year classifications.

3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, currency risk and liquidity risk. The Fund does not have exposure to interest rate risk.

3.1 MARKET PRICE RISK

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the financial instruments. The market exposures are outlined in Note 8. The Fund's market risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss. In accordance with the terms of the Trust Deed the Fund manager does not manage this risk.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3.2 CREDIT RISK

The Fund is exposed to credit risk, the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash, accounts receivable and investments in equity securities held at fair value. The maximum credit risk of financial instruments is considered to be fair value. The risk of non-recovery of monetary assets is considered minimal due to the quality of counterparties dealt with. The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at balance date are:

	Mar 2009 \$000	Mar 2008 \$000
Cash	331	342
Accounts receivable	346	373
Investments	35,361	58,475

3.3 LIQUIDITY RISK

The Fund is exposed to daily cash redemptions. The Fund's listed securities are considered readily realisable, as they are listed on the Australian Exchange.

3.4 CURRENCY RISK

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

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

NZD CONCENTRATION OF ASSETS AND LIABILITIES UNDER AUD DOLLARS

	Mar 2009 \$000	Mar 2008 \$000
Assets		
Investments in equity securities held at fair value	35,361	58,475

4. TAXATION

	Year Ended Mar 2009 \$000	Year Ended Mar 2008 \$000
INCOME TAX EXPENSE		
(Decrease)/Increase in net assets attributable to Unitholders before tax	(23,000)	(4,940)
Add back management fees	371	517
Add back net changes in fair value of financial assets	24,768	6,725
Unrealised gains assessable for FIF Tax	-	613
Gross up of FWT withheld on dividends	18	72
Dividends subject to FDR regime	(768)	(347)
Taxable income on FDR securities	712	414
Income included for accounting, non-taxable	17	(82)
Gross up of imputation credits	11	5
Taxable income	2,129	2,977
Taxation at 30% (2008: 33%)	639	982
Less tax credits & imputation credits	(44)	(82)
Change in corporate tax rate	-	(11)
Prior period adjustment	(58)	139
Tax expense	537	1,028
DEFERRED TAX		
Opening balance	(112)	(149)
Current year movement	8	26
Change in corporate tax rate	-	11
Closing balance	(104)	(112)
IMPUTATION CREDITS		
Opening balance	917	82
Imputation credits received during the period	11	5
Net tax paid during the period	520	1,036
	1,448	1,123
Credits attached to distributions paid	(397)	(206)
Credits available for future distribution	1051	917
DIVIDEND WITHHOLDING PAYMENT CREDITS		
Opening balance	259	53
DWP credits received during the period	-	531
Net tax paid during the period	196	-
	455	584
Credits attached to distributions paid	(453)	(600)
Prior period adjustment	-	275
Closing balance	2	259

The tax rate used in the above reconciliation is the corporate rate of 30%. There was a change in the corporate tax rate from 33% to 30% from 1 April 2008. The deferred tax balance at 31 March 2008 is calculated using the new corporate tax rate, and the adjustment above shows the effect of the change in rate of deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. REDEEMABLE UNITS

All issued units are fully paid and redeemable, and have been admitted to the official listing of the NZX NZSX market. The Fund's capital is represented by these redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units, other than minimum holding requirements as defined in the prospectus. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Unitholders.

To determine the net asset value of the Fund for subscriptions and redemptions, financial assets have been valued based on the last traded market prices as of the close of business on the relevant trading day.

6. DISTRIBUTION TO UNITHOLDERS

	Total attributed to Unitholders Mar 2009 \$000	Total attributed to Unitholders Mar 2008 \$000
Distribution payable at beginning of period	367	370
Distribution accrued to Unitholders	1,231	674
	1,598	1,044
Distributed to Unitholders	(1,525)	(1,356)
Transfer	327	679
Distribution payable to Unitholders	400	367

7. RELATED PARTIES

The Fund is managed by Smartshares Limited (the 'Investment Manager'), a wholly owned subsidiary of NZX Limited. Smartshares Limited receives management fees directly from the Unitholders. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor in respect of the Fund and receives all basket application and withdrawal fees and interest earned on cash at call. Total management fees for the year to 31 March 2009 amounted to \$371,000 (Mar 2008 \$517,000), with \$23,000 (Mar 2008: \$83,000) outstanding accrued fees due to Smartshares Limited at the end of the period. At 31 March 2009 the Fund has payables to Smartshares Limited of \$58,000 (Mar 2008 \$259,000).

8. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE AS AT 31 MARCH 2009

Company	Number of Securities	Fair Value A\$	Fair value NZ\$
ABB Grain Ltd	62,818	368,742	446,310
Asciano Group Ltd	229,136	207,368	250,990
Aristocrat Leisure Limited	140,090	470,702	569,720
Ansell Limited	49,861	413,846	500,903
Arrow Energy Limited	216,080	587,738	711,374
Alumina Limited	536,047	579,467	701,364
Australia Worldwide Exploration Ltd	197,047	474,883	574,780
Billabong International	64,731	548,272	663,606
Bendigo Bank Limited	108,104	881,048	1,066,385
Boral Limited	219,814	778,142	941,832
Boart Longyear Limited	546,701	68,338	82,713
Bank of Queensland Ltd	57,692	481,728	583,065
ConnectEast Group	867,968	347,187	420,222
Centennial Coal Company Limited	136,702	273,404	330,917
CFS Gandel Retail Trust	735,691	1,184,463	1,433,627
Consolidated Media Holdings Limited	154,001	305,692	369,998
Cochlear Limited	20,175	1,008,750	1,220,951
Commonwealth Property Office Fund	683,789	618,829	749,006
Computershare Limited	163,071	1,418,718	1,717,160
CSR Limited	485,025	577,180	698,596
Caltex Australia Limited	49,692	442,259	535,293
David Jones Limited	175,959	490,926	594,197
Downer EDi Limited	116,148	513,374	621,368
DUET Group	191,487	346,591	419,501
DEXUS Property Group	1,263,169	866,534	1,048,819
Futuris Corporation Limited	301,524	108,549	131,383
Goodman Fielder Ltd	487,715	502,346	608,020
Harvey Norman Holdings	210,417	530,251	641,795
Iluka Resources Limited	140,049	561,596	679,734
ING Office Fund	691,981	294,092	355,957
JB Hi-Fi Limited	37,688	433,412	524,585
James Hardie Industries	159,363	650,201	786,978
Lion Nathan Limited	105,998	853,284	1,032,781
Macquarie Communications Infrastructure Group	165,969	378,409	458,012
Mirvac Group	558,900	463,887	561,471
Macquarie Office Trust	1,662,324	282,595	342,042
Metcash Limited	282,562	1,141,550	1,381,688
Nufarm Limited	52,044	586,536	709,920
Oil Search Limited	339,370	1,781,693	2,156,491
OZ Minerals Limited	1,147,768	642,750	777,959
Paladin Energy Ltd	226,528	767,930	929,472

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE AS AT 31 MARCH 2009 | Continued

Company	Number of Securities	Fair Value A\$	Fair value NZ\$
Perpetual Trustees Australia Ltd	15,630	412,788	499,623
Primary Health Care Limited	119,688	532,612	644,652
Sims Group Limited	53,780	901,353	1,090,962
Singapore Telecommunications Limited	180,247	436,198	527,957
Spark Infrastructure Group	338,859	342,248	414,243
Transfield Services Limited	130,344	263,295	318,682
Tattersalls Limited	468,623	1,284,027	1,554,136
United Group Limited	60,262	549,589	665,201
West Australian Newspapers Limited	58,838	260,064	314,771
		29,215,436	35,361,212

All financial assets are designated at inception as being at fair value through profit or loss. The fair value of financial assets is calculated using the last bid price. The fair value of financial assets held at 31 March 2009 was A\$ 29,379,733 where the New Zealand dollar equivalent was NZ \$35,560,071 (Mar 2008: NZ\$58,475,437). The investments are registered in the name of Custodial Services Limited, the custodian of the Fund.

9. UNITHOLDERS' FUNDS

As at 31 March 2009 there were 9,764,047 (Mar 2008: 9,365,281) units on issue. Due to the requirements of NZ IFRS, there are differences between the valuation of investments for the purposes of determining the net asset value and for the purposes of preparing the value of financial assets in the financial statements.

For the purposes of determining the net asset value, quoted investment positions are valued at last traded market prices on the relevant trading day in accordance with the Fund's offering documents and Trust Deed. The net asset value of each unit at 31 March 2009 was \$3.6726 (Mar 2008: \$6.3114).

NZ IFRS requires that long quoted investment positions be valued at the closing bid prices (excluding provision for disposal costs) on the relevant trading day. The NZ IFRS net asset value of each unit at 31 March 2009 was \$3.6216 (Mar 2008: \$6.2439).

10. EVENTS AFTER THE BALANCE SHEET DATE

There were no post-balance sheet events.

11. CONTINGENT LIABILITIES

There are no known contingent liabilities as at balance date (Mar 2008: nil).

UNITHOLDER INFORMATION

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS | AS AT 31 MARCH 2009

	No. of holders	% of holders	No. of securities	% of securities
1 to 4,999	2,311	85.27%	3,633,499	37.21%
5,000 to 49,999	388	14.32%	3,940,960	40.37%
50,000 to 499,999	10	0.37%	1,514,703	15.51%
500,000 and above	1	0.04%	674,885	6.91%
Total	2,710	100.00%	9,764,047	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES | AS AT 31 MARCH 2009

Full Name	Total	Percentage
Custodial Services Limited <3 A/C>	674,885	6.91%
NZGT Superannuation Trustees Limited <smartkiwi Growth Fund A/C>	424,112	4.34%
Custodial Services Limited <2 A/C>	269,876	2.76%
FNZ Custodians Limited	197,869	2.03%
NZGT Superannuation Trustees Limited <smartkiwi Balanced Fund A/C>	111,990	1.15%
Custodial Services Limited <4 A/C>	108,167	1.11%
Forsyth Barr Custodians Limited <1 M A/C>	102,473	1.05%
Investment Custodial Services Limited <C A/C>	96,974	0.99%
Forsyth Barr Custodians Limited <1L A/C>	85,760	0.88%
Custodial Services Limited <8 A/C>	64,856	0.66%
Flora Fitzherbert Rudman	52,626	0.54%
Mrs Elwyn Dianne Mayall	44,554	0.46%
Andrew James Grant	40,954	0.42%
Tamaoho W Vercoe & Charles O Elliott & Beverley N Hughes <Putauaki A/C>	40,496	0.41%
Custodial Services Limited <6 A/C>	39,553	0.41%
Custodial Services Limited <1 A/C>	37,143	0.38%
Gavin R Walker & Susan E Walker & William M Patterson <Tralee A/C>	37,128	0.38%
Gavin R Walker & Susan E Walker & William M Patterson <Waiata A/C>	37,128	0.38%
ABN Amro Craigs Limited	35,046	0.36%
Christopher Graham Paice	33,144	0.34%
	2,566,082	26.28%

SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the

UNITHOLDER INFORMATION

CONTINUED

file kept by the Fund under section 35C of the Securities Market Act 1988, there were no substantial holders in the Fund as at 31 March 2009. The total number of units on issue at 31 March 2009 was 9,764,047.

DIRECTORS INTERESTS IN UNITS | AS AT 31 MARCH 2009

	Beneficial	Non-beneficial
Elaine Campbell	nil	nil
Geoffrey Brown	2,793	nil
Damas Potoi	nil	nil

WAIVERS GRANTED

The Special Division of New Zealand Markets Disciplinary Tribunal (formerly NZX Discipline) has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2009:

- 1.9.1 – Provisions of Rules applying to Equity Securities.
- 3.1.1(a) – Compliance with the Listing Rules
- 3.1.3 – Compliance with the provisions in Appendix 6.
- 3.3.1(c) to 3.3.1C and 3.6 – Requirements for an Audit Committee and Independent Directors.
- 3.3.2 to 3.3.12 – Appointment and Rotation of Directors.
- 3.4 – Proceedings and Power of Directors
- 3.5 – Directors' remuneration.
- Section 4 and 3.1.1(b) – Takeover Provisions.
- 7.1.7 – Regulation 23 statements for Offering Documents.
- 7.1.11 – Minimum Subscription.
- 7.3 – Issues of Securities.
- 7.5 – Issues and Redemptions affecting Control.
- 7.6.1 to 7.6.3 – Buybacks and Redemptions.
- 7.11.1 – Time for Allotment.
- 7.12.2 – Notification of event affecting Securities.
- 8.2.1 to 8.2.3 – Lien on Distributions.
- 8.3.1 – Ruling in relation to Interest Groups.
- 9.1.1(b) – Disposition or acquisition of assets.
- 9.2.1(a) – Material Transactions with Related Parties.
- 10.4.2, 10.5.1(b) – Contents required for Preliminary Announcement and Annual Report.
- 10.5.2 – Half-yearly reporting requirements.
- 10.8.1(a) – Notification of subdivision, consolidation or issue of securities.
- 11.1.1 – Restrictions on Transfers.
- 11.2.3 – Statements after Issues or Transfers.
- 11.1.5 – Approval for restrictions in Trust Deed.
- Appendix 2 – Minimum Holding.



Audit report

To the Unitholders of NZX Australian Midcap Index Fund

We have audited the financial statements on pages 54 to 64. The financial statements provide information about the past financial performance of NZX Australian Midcap Index Fund (“the Fund”) and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 57 to 59.

Managers’ responsibilities

The Funds Manager is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Auditors’ responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgements made by the Manager in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Fund’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Fund.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Fund as far as appears from our examination of those records;
- the financial statements on pages 54 to 64:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 26 May 2009 and our unqualified opinion is expressed as at that date.

Wellington

NZX AUSTRALIAN 20 LEADERS INDEX FUND (smartOZZY)

PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

FUND PERFORMANCE

For the year to 31 March 2008, the NZX Australian 20 Leaders Fund (smartOZZY) returned negative 18.48% before the payment of any dividends. For the full year, distributions totalled 11.54 cents per unit gross*. This equates to a gross dividend yield of 4.29% based on the market close price as at 31 March 2009 (market close price at 31 March 2009 \$2.69).

SmartOZZY had 29.9 million units on issue with a market capitalisation of NZ\$79.8 million as at 31 March 2009.

INDEX PERFORMANCE

The S&P/ASX 20 Accumulation Index, which includes dividends paid, returned negative 21.19% over the year. During the last five years the S&P/ASX 20 Accumulation Index has had an annualised gross return of 8.47% per annum.

PERFORMANCE OF THE S&P/ASX 20 GROSS INDEX (NZD)



KEY METRICS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

	31 March 2009	31 March 2008	31 March 2007	31 March 2006
S&P/ASX MidCap 50 Index (NZD)	2,665.20	3,423.34	3,609.01	3,249.97
Net asset value per unit (NZD)	\$2.67	\$3.42	\$3.61	\$3.25
Distribution per unit over year*	11.54 cents	9.36 cents	11 cents	7.78 cents
Number of Unitholders	3,512	3,808	3,897	3,246
Units on issue	29,918,055	31,157,798	34,665,065	35,212,428
Total value of Unitholders' funds (in NZD at close prices)	\$79,752,821	\$106,663,893	\$125,134,801	\$96,033,127

* Before the deduction of management fees

smartOZZY

NZX AUSTRALIAN 20 LEADERS INDEX FUND (smartOZZY)

REPORT TO UNITHOLDERS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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

FINANCIAL STATEMENTS

INCOME STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Income			
Company dividends		4,874	4,796
Net changes in fair value of financial assets		(22,154)	(4,588)
Total Net Income		(17,280)	208
Management fees	7	545	708
(Decrease)/Increase in Net Assets Attributable to Unitholders before Tax		(17,825)	(500)
Tax expense	4	1,363	1,446
(Decrease)/Increase in Net Assets Attributable to Unitholders after Tax		(19,188)	(1,946)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
Net assets attributable to Unitholders at beginning of period		106,352	125,014
(Decrease)/Increase in net assets attributable to Unitholders this period		(19,188)	(1,946)
Net subscriptions redeemed	5	(4,454)	(14,074)
Distribution accrued to Unitholders	6	(2,966)	(2,642)
Net Assets Attributable to Unitholders at End of Period		79,744	106,352

These financial statements should be read in conjunction with the notes on pages 73-80

BALANCE SHEET | AS AT 31 MARCH

	Note	2009 \$000	2008 \$000
CURRENT ASSETS			
Cash at call		1,371	1,009
Accounts receivable		776	1,008
Taxation receivable		-	593
Total Current Assets		2,147	2,610
NON-CURRENT ASSETS			
Investments in equity securities held at fair value	8	79,672	106,280
Total Non-Current Assets		79,672	106,280
Total Assets		81,819	108,890
CURRENT LIABILITIES			
Accounts Payable		30	584
Taxation payable		91	0
Funds held for unit purchases		135	73
Management fees payable		25	52
Distribution payable to Unitholders	6	1,561	1,527
Deferred tax	4	233	302
Total Liabilities excluding Net Assets Attributable to Unitholders		2,075	2,538
Net Assets Attributable to Unitholders		79,744	106,352

These financial statements should be read in conjunction with the notes on pages 73-80

The Board of Directors of Smartshares Limited authorised these financial statements for issue on 26 May 2009.



E CAMPBELL | CHAIRMAN
Smartshares Limited



G B D BROWN | DIRECTOR
Smartshares Limited

CASH FLOW STATEMENT | FOR THE YEAR ENDED 31 MARCH

	Note	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Company dividends received		5,106	4,755
Cash inflows from operating activities		5,106	4,755
Cash was applied to:			
Management fees		(571)	(712)
Tax paid directly by the Fund		(804)	(1,437)
Cash outflows from operating activities		(1,375)	(2,149)
Net Cash Flows from Operating Activities		3,731	2,606
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Net payments made to Fund Manager		(499)	-
Cash outflows from investing activities		(499)	-
Net Cash Flows from Investing Activities		(499)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Savings plan and direct purchase deposits		953	1,066
Cash inflows from financing activities		953	1,066
Cash was applied to:			
Purchase of financial assets		(891)	(1,136)
Distributions paid to Unitholders (including dividend reinvestment)	6	(2,932)	(2,420)
Cash outflows from financing activities		(3,823)	(3,556)
Net Cash Flows from Financing Activities		(2,870)	(2,490)
Net increase/(decrease) in cash held		362	116
Opening cash balance		1,009	893
Cash at End of Period		1,371	1,009
RECONCILIATION OF DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES			
(Decrease)/Increase in net assets attributable to Unitholders		(19,188)	(1,946)
Less non-cash items:			
Net changes in fair value of financial assets		22,154	4,588
Operating movement in taxation receivable		684	(86)
Movement in deferred tax		(69)	(17)
Movement in management fee payable		(27)	(4)
Movement in accounts receivable		232	(41)
Operating movement in accounts payable		(55)	112
Net Cash Flows from Operating Activities		3,731	2,606

These financial statements should be read in conjunction with the notes on pages 73-80

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The NZX Australian 20 Leaders Index Fund (the Fund) is a for-profit open-ended Group Investment Fund established in New Zealand under the Trustee Companies Act 1967 and a Trust Deed dated 20 January 1997. Trustees Executors Limited is the trustee of the Fund. The Fund is an Issuer as defined in the Financial Reporting Act 1993 and these financial statements are presented in compliance with the Act. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders and distributions are confined only to dividends received from the portfolio of investments. All changes in the value of investments, both realised and unrealised are recorded in the Income Statement.

The Fund's investment activities are managed by Smartshares Limited (the 'Investment Manager') tracking the NZX Australian 20 Leaders Index. As prescribed by the Trust Deed, the Fund only invests in the securities included in the S&P/ASX 20 Index in proportion to the market capitalisation of the Index and the available capital of the Fund. The Fund's units are listed and traded on the NZX NZSX market. Investments are valued at fair value according to last bid prices on the Australian Exchange on 31 March 2009 (see Note 8).

2. STATEMENT OF ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements, being the New Zealand dollar (NZD).

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors of Smartshares Limited to exercise its judgement in the process of applying the Fund's accounting policies.

2.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification

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

(b) Recognition/derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, all financial assets 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 at fair value through profit or loss category are presented in the Income Statement when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement as dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

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

2.3 CASH AND CASH EQUIVALENTS

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

Subscriptions subsequent to the initial public offering can be made in the form of baskets of constituent securities of the S&P/ASX 20 Index (i.e. not for cash) and therefore have not been included in the Cash Flow Statement. Redemptions can also be made in the form of baskets and therefore have not been included in the Cash Flow Statement.

2.4 REDEEMABLE UNITS

The Fund issues redeemable units, which are redeemable at the Unitholder's option and are classified as financial liabilities. Redeemable units can be put back to the Fund at any time, in accordance with the redemption rules as defined in the prospectus, for cash equal to a proportionate share of the Fund's net asset value. The redeemable unit is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the unit back to the Fund.

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

2.5 DIVIDEND REVENUE

Company dividend income is recognised when the right to receive payment is established.

2.6 DISTRIBUTIONS PAYABLE TO HOLDERS OF REDEEMABLE UNITS

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

Distribution of this income is made as at 20 June (record date 31 May) and 20 December (record date 30 November) each year.

2.7 TAXATION

The Fund is domiciled in New Zealand and had a binding ruling from the New Zealand Inland Revenue Department which expired on 30th September 2007. The binding ruling stated that any gains realised from the sale of shares, in order to match the composition and weighting of the Index or to fund redemption of units, was not taxable to the Fund. The Fund was registered as a Portfolio Investment Entity (PIE) from 1st October 2007.

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from entities subject to the Fair Dividend Rate (FDR) method) from the entities listed in Note 8. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. All distributions to Unitholders are imputed to the extent permitted by the imputation credits that the directors of the entity determine are available.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.8 CHANGES IN ACCOUNTING POLICIES

There have been no material changes to accounting policies during the period.

2.9 COMPARATIVES

Comparative figures where necessary have been restated to correspond to the current year classifications.

3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, currency risk and liquidity risk. The Fund does not have exposure to interest rate risk.

3.1 MARKET PRICE RISK

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the financial instruments. The market exposures are outlined in Note 8. The Fund's market risk is affected by actual changes in market prices. As this Fund tracks an index, any change in the underlying index will result in a corresponding change in the assets at fair value through profit or loss. In accordance with the terms of the Trust Deed the Fund manager does not manage this risk.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3.2 CREDIT RISK

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash, accounts receivable and investments in equity securities held at fair value. The maximum credit risk of financial instruments is considered to be their fair value. The risk of non-recovery of monetary assets is considered minimal due to the quality of counterparties dealt with. The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at balance date are:

	Mar 2009 \$000	Mar 2008 \$000
Cash	1,371	1,009
Accounts receivable	776	1,008
Investments in equity securities held at fair value	79,672	106,280

3.3 LIQUIDITY RISK

The Fund is exposed to daily cash redemptions. The Fund's listed securities are considered readily realisable, as they are listed on the Australian Exchange.

3.4 CURRENCY RISK

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

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

NZD CONCENTRATION OF ASSETS AND LIABILITIES UNDER AUSTRALIAN DOLLARS (AUD)

	Mar 2009 \$000	Mar 2008 \$000
Assets		
Investments in equity securities held at fair value	79,672	106,280

4. TAXATION

	Year Ended Mar 2009 \$000	Year Ended Mar 2008 \$000
INCOME TAX EXPENSE		
(Decrease)/Increase in net assets attributable to Unitholders before tax	(17,825)	(500)
Add back management fees	545	708
Add back net changes in fair value of financial assets	22,154	4,588
Gross up of FWT withheld on dividends	23	23
Dividends subject to FDR regime	(328)	(181)
Taxable income on FDR securities	255	167
Taxable income	4,824	4,805
Taxation at 30% (2008: 33%)	1,447	1,586
Less imputation credits, foreign withholding tax and foreign income tax credits	(63)	(23)
Change in corporate tax rate	-	(30)
Prior period adjustment	(21)	(87)
Tax expense	1,363	1,446
DEFERRED TAX		
Opening balance	(302)	(319)
Current year movement	69	(13)
Change in corporate tax rate	-	30
Closing balance	(233)	(302)
IMPUTATION CREDITS		
Opening balance	71	71
Prior year adjustment	(20)	-
Imputation credits received during the period	25	-
Net tax paid during the period	98	66
Credits attached to distributions paid	(150)	(66)
Credits to be available for future distributions	24	71
DIVIDEND WITHHOLDING PAYMENT CREDITS		
Opening balance	1,321	672
Prior year adjustment	(510)	-
Dividend Withholding Payment credits received during the period	-	1,381
Net tax paid during the period	703	-
Credits attached to distributions paid	(1,481)	(732)
Credits available for future distributions	33	1,321

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

The tax rate used in the above reconciliation is the corporate rate of 30% (2008: 33%). There was a change in the corporate tax rate from 33% to 30% from 1 April 2008. The deferred tax balance at 31 March 2008 was calculated using the new corporate tax rate, and the adjustment above shows the effect of the change in rate of deferred tax.

5. REDEEMABLE UNITS

All issued units are fully paid and redeemable, and have been admitted to the official listing of the NZX NZSX market. The Fund's capital is represented by these redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units, other than minimum holding requirements as defined in the prospectus. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Unitholders.

To determine the net asset value of the Fund for subscriptions and redemptions, financial assets have been valued based on the last traded market prices as of the close of business on the relevant trading day.

6. DISTRIBUTION TO UNITHOLDERS

	Total attributed to Unitholders Mar 2009 \$000	Total attributed to Unitholders Mar 2008 \$000
Distribution payable at beginning of period	1,527	1,305
Distribution accrued to Unitholders	2,966	2,642
	4,493	3,947
Distributed to Unitholders	(2,932)	(2,420)
Distribution payable to Unitholders	1,561	1,527

7. RELATED PARTIES

The Fund is managed by Smartshares Limited (the 'Investment Manager'), a wholly owned subsidiary of NZX Limited. Smartshares Limited receives management fees directly from the Unitholders. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Audit charges in respect of the Fund and receives all basket application and withdrawal fees and interest earned on cash at call. Total management fees for the year ended 31 March 2009 amounted to \$545,000 (March 2008 \$708,000), with \$25,000 (Mar 2008: \$52,000) outstanding accrued fees due to Smartshares Limited at the end of the period. At 31 March 2009 the Fund has payables to Smartshares Limited of \$30,000 (Mar 2008: \$472,000).

8. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE AS AT 31 MARCH 2009

Company	Number of Securities	Fair Value A\$	Fair value NZ\$
AMP Limited	242,763	1,138,558	1,378,066
Australia & New Zealand Banking Group Limited	265,693	4,171,380	5,048,874
BHP Billiton Limited	413,181	13,184,606	15,958,129
Brambles Limited	170,641	817,370	989,313
Commonwealth Bank of Australia	181,126	6,277,827	7,598,435
CSL Limited	74,222	2,411,473	2,918,752
Fosters Group Limited	237,240	1,200,434	1,452,958
Macquarie Bank Ltd	34,592	935,714	1,132,551
National Australia Bank Limited	235,978	4,743,158	5,740,932
Newcrest Mining Limited	59,157	1,934,434	2,341,363
Origin Energy Limited	107,536	1,590,457	1,925,027
QBE Insurance Group Limited	122,161	2,345,491	2,838,890
Rio Tinto Limited	35,141	1,986,169	2,403,981
Suncorp-Metway Limited	160,378	957,457	1,158,868
Telstra Corporation Limited	1,285,587	4,126,734	4,994,837
Westpac Banking Corporation	358,254	6,835,486	8,273,404
Westfield Group	257,138	2,563,666	3,102,961
Wesfarmers Limited	142,579	2,680,485	3,244,354
Woolworths Limited	150,765	3,770,633	4,563,826
Woodside Petroleum Limited	56,529	2,153,190	2,606,137
		65,824,722	79,671,658

All financial assets are designated at inception as being at fair value through profit or loss. The fair value of financial assets is calculated using the last bid price. The fair value of financial assets held at 31 March 2009 was A\$65,824,722. The New Zealand dollar equivalent was NZ\$79,671,658 (Mar 2008: NZ\$106,279,922), the exchange rate used was \$0.8262 (Mar 2008: 0.8606). The investments are registered in the name of Custodial Services Limited, the custodian of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9. UNITHOLDERS' FUNDS

As at 31 March 2009 there were 29,918,055 (Mar 2008: 31,157,798) units on issue. Due to the requirements of NZ IFRS, there are differences between the valuation of investments for the purposes of determining the net asset value and for the purposes of preparing the value of financial assets in the financial statements.

For the purposes of determining the net asset value, quoted investment positions are valued at last traded market prices on the relevant trading day in accordance with the Fund's offering documents and Trust Deed. The net asset value of each unit at 31 March 2009 was \$2.666 (Mar 2008: \$3.4233).

NZ IFRS requires that long quoted investment positions be valued at closing bid prices (excluding provision for disposal costs) on the relevant trading day. The NZ IFRS net asset value of each unit at 31 March 2009 was \$2.663 (Mar 2008: \$3.411).

10. EVENTS AFTER THE BALANCE SHEET DATE

There were no post-balance sheet events.

11. CONTINGENT LIABILITIES

There are no known contingent liabilities as at balance date (Mar 2008: nil).

UNITHOLDER INFORMATION

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS | AS AT 31 MARCH 2009

	No. of holders	% of holders	No. of securities	% of securities
1 to 4,999	2,073	59.03%	5,081,838	16.99%
5,000 to 49,999	1,392	39.64%	16,330,581	54.58%
50,000 to 499,999	43	1.22%	4,933,314	16.49%
500,000 and above	4	0.11%	3,572,322	11.94%
Total	3,512	100.00%	29,918,055	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES | AS AT 31 MARCH 2009

Full Name	Total	Percentage
Investment Custodial Services Limited <C A/C>	1,408,527	4.71%
Brian H Fraser & Timothy P Greville & David R Fraser <Fraser A/Cs A/C>	1,087,135	3.63%
Custodial Services Limited <3 A/C>	565,937	1.89%
Courtenay Nominees Limited	510,723	1.71%
Custodial Services Limited <8 A/C>	486,551	1.63%
Michael Donald Wight & Geraldine Louise Wight	370,129	1.24%
Private Nominees Limited <Residents A/C>	359,952	1.20%
Alan Gordon Smart	269,505	0.90%
Aratrust Limited <Ara Lodge 348 IC Charitable A A/C>	241,500	0.81%
FNZ Custodians Limited	225,767	0.75%
Custodial Services Limited <2 A/C>	186,701	0.62%
Flora Fitzherbert Rudman	150,000	0.50%
Judith Anne Knowles	40,954	0.45%
Nigel High & Hsiao Ming High	135,260	0.45%
New Zealand Methodist Trust Association	120,000	0.40%
Forsyth Barr Custodians Limited <1 M A/C>	110,743	0.37%
NZ Guardian Trust Co Limited <Gwl The Godden 42258900 A/C>	106,733	0.36%
Forsyth Barr Custodians Limited <1L A/C>	103,442	0.35%
Eeshala Nominees Limited	100,000	0.33%
Annette Marie Jennings & Stephen Gerard Florentine <Ayjay A/C>	96,518	0.32%
	6,770,811	22.62%

UNITHOLDER INFORMATION

CONTINUED

SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the file kept by the Fund under section 35C of the Securities Market Act 1988, there were no substantial holders in the Fund as at 31 March 2009. The total number of units on issue at 31 March 2009 was 29,918,055.

DIRECTORS INTERESTS IN UNITS AS AT 31 MARCH 2009

	Beneficial	Non-beneficial
Elaine Campbell	nil	nil
Geoffrey Brown	nil	nil
Damas Potoi	nil	nil

WAIVERS GRANTED

The Special Division of New Zealand Markets Disciplinary Tribunal (formerly NZX Discipline) has granted, either fully, partially or subject to conditions, the following waivers from the Listing Rules that were applicable at 31 March 2009:

- 1.9.1 – Provisions of Rules applying to Equity Securities.
- 3.1.1(a) – Compliance with the Listing Rules
- 3.1.3 – Compliance with the provisions in Appendix 6.
- 3.3.1(c) to 3.3.1C and 3.6 – Requirements for an Audit Committee and Independent Directors.
- 3.3.2 to 3.3.12 – Appointment and Rotation of Directors.
- 3.4 – Proceedings and Power of Directors
- 3.5 – Directors' remuneration.
- Section 4 and 3.1.1(b) – Takeover Provisions.
- 7.1.7 – Regulation 23 statements for Offering Documents.
- 7.1.11 – Minimum Subscription.
- 7.3 – Issues of Securities.
- 7.4 – Entitlements to Third Parties.
- 7.5 – Issues and Redemptions affecting Control.
- 7.6.1 to 7.6.3 – Buybacks and Redemptions.
- 7.11.1 – Time for Allotment.
- 7.12.2 – Notification of event affecting Securities.
- 8.2.1 to 8.2.3 – Lien on Distributions.
- 8.3.1 – Ruling in relation to Interest Groups.
- 9.1.1(b) – Disposition or acquisition of assets.
- 9.2.1(a) – Material Transactions with Related Parties.
- 10.4.2, 10.5.1(b) – Contents required for Preliminary Announcement and Annual Report.
- 10.5.2 – Half-yearly reporting requirements.
- 10.8.1(a) – Notification of subdivision, consolidation or issue of securities.
- 11.1.1 – Restrictions on Transfers.
- 11.2.3 – Statements after Issues or Transfers.
- 11.1.5 – Approval for restrictions in Trust Deed.
- Appendix 2 – Minimum Holding.



Audit report

To the Unitholders of NZX Australian 20 Leaders Index Fund

We have audited the financial statements on pages 70 to 80. The financial statements provide information about the past financial performance of NZX Australian 20 Leaders Index Fund (“the Fund”) and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 73 to 75.

Managers’ responsibilities

The Funds Manager is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Auditors’ responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgements made by the Manager in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Fund’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Fund.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Fund as far as appears from our examination of those records;
- the financial statements on pages 70 to 80:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Fund as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 26 May 2009 and our unqualified opinion is expressed as at that date.

Wellington

CORPORATE GOVERNANCE

The Issuer of the Funds is the Manager, Smartshares Limited. The role of the Manager and its board in relation to the management of the Funds is unlike the role of a board in relation to the management of the business and affairs of a listed company. The Trust Deeds for the Funds contain detailed provisions about the investment of the Funds' money and the role of the Manager of the Funds. The manager of the Funds has no role in making business decisions in relation to the Funds. The nature of the business of the Funds is solely the investment in a clearly defined set of securities. The Trust deeds set out what securities can be acquired and in what circumstances those securities must be acquired and sold.

For the reasons set out above, much of the Corporate Governance Best Practice Code (Code) set out in Appendix 16 of the Listing Rules is not appropriate to the manager of the Funds. This section describes the current practise of Smartshares Limited as it relates to corporate governance matters. It differs from the Code in a number of ways for the reasons set out above.

THE BOARD

The board is currently comprised of one non-executive Director (the Chairman, Elaine Campbell) and two executive Directors (Geoffrey Brown and Damas Potoi). Both of the executive Directors are employees of NZX Limited (NZX). None of the Directors are Independent Directors as defined in the Listing Rules. Services are provided to Smartshares Limited by employees of NZX. The board is responsible for the direction and supervision of the business and affairs of the Manager and its management of the Smartshares Funds.

COMMITTEES

The board of the Manager has one committee, an Audit Committee, comprising Mr Neil Paviour-Smith (Chairman), Mr Chris Moller (both Independent Directors of NZX) and Mr Geoff Brown. The Audit Committee meets as required.

Smartshares Limited has been granted a waiver from Listing Rule 3.3.1(c), 3.6.2(a) and 3.6.2(c) to remove the requirement for the board to have Independent Directors and to enable the Audit Committee to include Independent Directors from Smartshares Limited's parent company, NZX. The waivers have been granted on the conditions that:

- There is an Audit Committee in place for each Fund;
- The waivers and the conditions are outlined in each Fund's Half Yearly and Annual Reports;
- At least one of Smartshares Limited's Directors sits on Smartshares Limited's Audit Committee for the Funds, whenever it convenes;
- Smartshares Limited's Audit Committee for each Fund has a majority of Directors who are Independent Directors of Smartshares Limited, or Independent Directors of NZX, or both;
- Every Independent Director of NZX that sits on Smartshares Limited's Audit Committee for each Fund must provide the Special Division with written certification that they accept the obligations and responsibilities of an Audit Committee imposed by the Listing Rules in relation to the Fund;

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- The Audit Committee for each Fund has full powers to require Smartshares Limited to provide any information or documents relating to any Fund which it requires to enable it to meet the obligations of an Audit Committee;
 - The Directors of Smartshares Limited must respond to any recommendations made to its board from the Audit Committee for each Fund; and
 - The nature of each Fund's business and its operations do not materially change.

Smartshares Limited has no remuneration or nomination committee. There is no nomination committee because the manager is a wholly-owned subsidiary of NZX which appoints the board of Directors of the Manager. There is no remuneration committee as no Director receives any remuneration directly from Smartshares Limited, and the board of Smartshares Limited consists of only three Directors. The Manager is entitled to remuneration in respect of management of the Funds. Information about the remuneration received by the Manager for the financial year ended March 2009 can be found in the financial statements for the Funds set out in this report.

To the extent applicable, Smartshares Limited intends to adopt the governance structures and principles adopted by its parent company NZX including the code of ethics and audit charter.

