

**KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

# KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

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# **KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

## **DIRECTORY**

### **THE MANAGER**

King Tide Asset Management Limited  
Level 2, 95 Hurstmere Road  
Takapuna  
Auckland, New Zealand

### **THE TRUSTEE**

Public Trust  
Level 35, Vero Centre  
48 Shortland Street  
Auckland, New Zealand

### **DIRECTORS OF THE MANAGER**

Robert James Campbell  
Henri Eliot  
Mark Houghton  
Alistair John Sutherland

### **ADMINISTRATION MANAGER**

BNP Paribas Securities Services

### **AUDITOR**

PricewaterhouseCoopers  
188 Quay Street  
Auckland 1142

### **BANKER**

ANZ Banking Group

## **CORRESPONDENCE**

All correspondence and enquiries to the Trustee about the Fund should be addressed to the Trustee, Public Trust, at the above address.

## KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

The KTAM NZ/Australian Long/Short Equity Fund ("The Fund") was constituted under a Master Trust Deed dated 25 November 2011 and an Establishment Deed dated 25 November 2011 (together, "The Trust Deed"). The Trust Deed was entered into by Public Trust ("The Trustee") and King Tide Asset Management Limited ("King Tide" or "The Manager").

### STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the KTAM NZ/Australian Long/Short Equity Fund as at 31 March 2013, and of the results of its financial performance and cash flows for the year ended on that date in accordance with the requirement of the Trust Deed dated 25 November 2011.

It is believed that there are no circumstances that may materially and adversely affect any interest of the Unit Holders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:

**King Tide Asset Management Limited**



.....  
Director

28 August 2013



.....  
Director

28 August 2013

**KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2013**

		Year ended 31 March 2013 \$'000	Period 21 December 2011 to 31 March 2012 \$'000
<b>INVESTMENT INCOME</b>			
Distributions		268	-
Interest	3a	6	1
Net changes in fair value on financial assets and financial liabilities held at fair value through profit or loss	3b	<u>(124)</u>	<u>38</u>
<b>Net investment income</b>		<u><b>150</b></u>	<u><b>39</b></u>
<b>EXPENSES</b>			
Manager fees	13	116	21
Other expenses	4	<u>19</u>	<u>-</u>
<b>Total expenses</b>		<u><b>135</b></u>	<u><b>21</b></u>
<b>PROFIT</b>			
Other comprehensive income		<u>15</u>	<u>18</u>
		<u>-</u>	<u>-</u>
<b>Total comprehensive income attributable to Unit Holders</b>		<u><u><b>15</b></u></u>	<u><u><b>18</b></u></u>



**KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

**STATEMENT OF CHANGES IN FUNDS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE YEAR ENDED 31 MARCH 2013**

	<b>Year ended 31 March 2013 \$'000</b>	<b>Period 21 December 2011 to 31 March 2012 \$'000</b>
<b>Unit Holders' funds at the beginning of the year/period</b>	8,488	-
Profit and other comprehensive income for the year/period	<u>15</u>	<u>18</u>
<b>Total comprehensive income for the year/period</b>	15	18
Subscriptions from Unit Holders	2,498	8,479
Redemptions by Unit Holders	(734)	-
Portfolio Investment Entity Tax	<u>(47)</u>	<u>(9)</u>
<b>Unit Holders' funds at the end of the year/period</b>	<u><u>10,220</u></u>	<u><u>8,488</u></u>

9b

KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2013

		31 March 2013 \$'000	31 March 2012 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	5	578	59
Receivables	7	-	1,043
Investment securities designated at fair value through profit or loss	6	<u>9,695</u>	<u>7,416</u>
<b>TOTAL ASSETS</b>		<u><b>10,273</b></u>	<u><b>8,518</b></u>
<b>LIABILITIES</b>			
Payables	8	<u>53</u>	<u>30</u>
<b>TOTAL LIABILITIES</b>		<u><b>53</b></u>	<u><b>30</b></u>
<b>UNIT HOLDERS' FUNDS</b>		<u><b>10,220</b></u>	<u><b>8,488</b></u>
<b>TOTAL LIABILITIES AND UNIT HOLDERS' FUNDS</b>		<u><b>10,273</b></u>	<u><b>8,518</b></u>

For and on behalf of the Manager, King Tide Asset Management Limited, who authorised the issue of the Financial Statements on 28 August 2013.



Director



Director

# KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 1. GENERAL INFORMATION

The KTAM NZ/Australian Long/Short Equity Fund ("The Fund") is a unit trust under the Unit Trusts Act 1960. It is registered and domiciled in New Zealand. The financial statements for the Fund have been prepared in accordance with the Financial Reporting Act 1993 and the Trust Deed. King Tide Asset Management Limited is the Manager and Public Trust is the Trustee. BNP Paribas Securities Services (BNP Paribas) is the Administration Manager.

The Fund is governed by a Master Trust Deed dated 25 November 2011 and an Establishment Deed dated 25 November 2011 (together, "The Trust Deed"). The Trust Deed was entered into by Public Trust and King Tide Asset Management Limited.

The Fund commenced operation on 21 December 2011.

The Fund aims to provide local and international investors with diversified, active exposure to New Zealand and Australian equity markets through allocating capital to a select group of funds (the "Underlying Funds") domiciled in these markets whose principal activity is long/short equity investment. It is intended that the Fund will invest in no less than eight and no more than fifteen Underlying Funds. The Fund's investment objective is to achieve positive absolute returns over any rolling three to five year period irrespective of market trends.

#### Reporting Period and Comparative Financial Information

The financial statements are for the year end 31 March 2013, with the comparative for the period from 21 December 2011 to 31 March 2012. Therefore the comparative figures are not entirely comparable.

#### Statement of Compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for a profit-oriented fund.

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Basis of Preparation

The financial statements of the Fund have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Financial Reporting Act 1993. 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 preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements are prepared in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). However where specific amounts are referred to in the note wording, the figures are rounded to the nearest dollar.

#### Foreign Currency Translation

##### *Functional and presentation currency*

The financial statements are presented in New Zealand dollars, which is also the Fund's functional currency. It is the currency in which the Manager considers to most accurately represent the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Fund receives subscriptions and withdrawals from its Unit Holders.



## KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Transactions and balances*

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on monetary and non monetary financial assets and liabilities held at fair value are recognised in the profit or loss within the fair value net gain or loss.

##### **Revenue Recognition**

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

##### *Dividends*

Revenue is recognised when the right to receive payment is established.

##### *Interest*

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

##### *Changes in fair value of investments*

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

##### **Financial Instruments**

##### *Classification*

The Fund classifies its investments in unit trusts as financial assets at fair value through profit or loss. These financial assets are held at fair value through profit or loss at inception.

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

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for various arbitrage transactions.

##### *Recognition*

Purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment.

##### *Measurement*

Financial instruments at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the profit or loss. 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 included in the Statement of Comprehensive Income in the period in which they arise.



# KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Fair value estimation*

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the current bid price.

The fair value of units held by the Fund in managed investment trusts is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying fund manager.

#### **Receivables**

Receivables which are short term in nature do not carry any interest and, accordingly, are stated at their amortised cost and where appropriate reduced by an allowance for estimated irrecoverable amounts.

#### **Payables**

Payables are recognised for an amount to be paid in the future for services received, whether or not billed to the Fund, and include outstanding settlements on the purchase of investments. Payables are stated at their amortised cost which is deemed equivalent to their fair value.

#### **Taxation**

##### *Income taxation*

The Fund has elected to become a Portfolio Investment Entity ("PIE") for the purposes of the Income Tax Act 2007. Under current taxation law the Fund pays no income tax on the taxable income of the Fund and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

The Fund deducts tax from each investor's allocation using each investor's Prescribed Investor Rate ("PIR") which is capped at 28% and pays the tax to the taxation authorities on behalf of the investor.

PIE tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities on behalf of the investors based on the current period's taxable income.

##### *Goods and services tax (GST)*

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

#### **Redeemable Units and Unit Holders' Funds**

Units issued by the Fund provide the Unit Holder the right to request redemption for cash at the value proportionate to the Unit Holder's share in the Investment Portfolio's net asset value. The units qualify as "puttable instruments". The Fund applied the amendments to NZ IAS 32: *Financial Instruments: Presentation* and NZ IAS 1: *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective 1 January 2009), the impact of which is to classify Funds attributable to Unit Holders as equity. The redemption unit price is based on different valuation principles to that applied in financial reporting. The redeemable units are carried at the redemption amount that is payable at the reporting date if the Unit Holders exercise their right to put the units back to the Fund.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash at bank, demand deposits and advances with an original maturity of three months or less. Cash and cash equivalents with original maturities of three months or less that were not acquired to meet short term cash commitments are classified as investment securities.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the above, net of outstanding bank overdrafts.

#### **Presentation of Cash Flows**

For the purposes of the Statement of Cash Flows, proceeds from the sale and purchase of investments designated at fair value through profit or loss are considered operating activities. These transactions maintain the operating capability of the Fund even though the investments may not be acquired specifically for resale or trading. Where distributions are immediately reinvested into units the cash value is included in cash provided.

## KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Changes in Accounting Policies

The Fund adopted the following new and amended standards during the period. Apart from these there have been no changes in accounting policies and disclosure.

##### *FRS 44: New Zealand Additional Disclosures and Harmonisation amendments*

FRS 44 issued in April 2011 prescribes the New Zealand specific disclosures in international financial standards which are required under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Harmonisation Amendments: The document issued in April 2011, sets out amendments to NZ IFRS as a result of proposals to harmonise New Zealand and Australian financial reporting standards. The standard and amendments are effective for all annual reporting periods beginning on or after 1 July 2011.

The adoption of the standard and amendments has minor impacts on disclosure.

##### Application of accounting standards

The following new standards, amendments to standards or interpretation have been issued but are not yet effective for the period ended 31 March 2013, and have not been applied in preparing these financial statements:

##### *NZ IFRS 9: Financial Instruments*

This standard was issued in November 2009 as part of the IASB's project to replace IAS 39: Financial Instruments - Recognition and Measurement. The standard deals with accounting for financial assets, their recognition, derecognition and measurement and is expected to have an impact on disclosures only.

Requirements for financial liabilities were added to NZ IFRS 9 in October 2010. Some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The standard is effective for annual periods beginning on or after 1 January 2015.

##### *Amendments to NZ IFRS 7: Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities*

The amendments require disclosures in NZ IFRS 7 Financial Instruments: Disclosure to disclose information about all recognised financial instruments that are set off in accordance with NZ IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under NZ IAS 32. The standard is effective for annual periods beginning on or after 1 January 2013.

##### *Amendment to NZ IFRS 7 Financial Instruments: Disclosures - Transition Disclosures*

This amendment removes the requirement for the restatement of comparative period financial statements upon initial application of the classification and measurement requirements of NZ IFRS 9 but introduces additional disclosures on transition from the classification and measurement requirements of NZ IAS 39 Financial Instruments: Recognition and Measurement to those of NZ IFRS 9. The amendment is applicable for periods beginning on or after 1 January 2013.

##### *Amendments to NZ IAS 32: Offsetting Financial Assets and Financial Liabilities*

The amendments require to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The standard is effective for annual periods beginning on or after 1 January 2014.



# KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *NZ IFRS 13: Fair Value Measurement*

This standard issued in May 2011 defines fair value, establishes a framework for measuring fair value and sets out disclosure requirement for fair value measurements. The standard is effective for all annual reporting periods beginning on or after 1 January 2013.

The adoption of *NZ IFRS 13* may impact the valuation of investment securities, for reporting purposes, if the option to follow the valuation methodology used for unit pricing, if different from bid price, is chosen. The adoption of the other standards will have an impact on disclosure only.

The Fund intends to adopt these standards or amendments in the periods in which they become mandatory.

#### **Critical accounting estimates and assumptions**

##### *Fair value of financial assets and liabilities held at fair value*

The investments of the Fund have been valued at closing bid value on 31 March 2013, so there are no accounting estimates or assumptions required in the valuation of the carrying amounts of these assets.

### 3. REVENUE

#### 3a. Interest revenue

	Year ended	Period 21 December 2011 to	31 March 2012
	31 March 2013	31 March 2012	
	\$'000	\$'000	
Cash at bank	6	1	
	6	1	

#### 3b. Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss

	Year ended	Period 21 December 2011 to	31 March 2012
	31 March 2013	31 March 2012	
	\$'000	\$'000	
<i>Designated upon initial recognition at fair value through profit or loss:</i>			
Realised (losses)	(175)	-	
Unrealised gains	52	38	
Realised gains/(losses)	(1)	-	
	(124)	38	

### 4. OTHER EXPENSES

	Year ended	Period 21 December 2011 to	31 March 2012
	31 March 2013	31 March 2012	
	\$'000	\$'000	
Investment manager fees	19	-	
	19	-	



**KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**5. CASH AND CASH EQUIVALENTS**

	31 March 2013 \$'000	31 March 2012 \$'000
Cash at bank	<u>578</u>	<u>59</u>
	<u><u>578</u></u>	<u><u>59</u></u>

**6. INVESTMENT SECURITIES**

	31 March 2013 \$'000	31 March 2012 \$'000
<i>Designated upon initial recognition at fair value through profit or loss</i>		
Australian equities unit trusts	7,114	5,589
New Zealand unit trusts	<u>2,581</u>	<u>1,827</u>
	<u><u>9,695</u></u>	<u><u>7,416</u></u>

**7. RECEIVABLES**

	31 March 2013 \$'000	31 March 2012 \$'000
Amounts held for investment	<u>-</u>	<u>1,043</u>
	<u><u>-</u></u>	<u><u>1,043</u></u>

**8. PAYABLES**

	31 March 2013 \$'000	31 March 2012 \$'000
Due to investment Manager	6	21
PIE tax payable to Inland Revenue	<u>47</u>	<u>9</u>
	<u><u>53</u></u>	<u><u>30</u></u>

**9. UNIT HOLDERS' FUNDS**

**9a. Units on issue**

	Year ended 31 March 2013 '000	Period ended 31 March 2012 '000
Units on issue at beginning of the period	7,188	-
Subscriptions from Unit Holders	3,732	7,188
Redemptions by Unit Holders	<u>(756)</u>	<u>-</u>
<b>Units on issue at end of the period</b>	<u><u>10,164</u></u>	<u><u>7,188</u></u>



## KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

#### 9. UNIT HOLDERS' FUNDS (Continued)

##### 9b. Units in dollar value

	Year ended 31 March 2013 \$'000	Period ended 31 March 2012 \$'000
Unit Holders' funds at beginning of the year/period	8,488	-
Subscriptions from Unit Holders	2,498	8,479
Redemptions by Unit Holders	(734)	-
Portfolio Investment Entity Tax	(47)	(9)
Profit/(loss)	15	18
<b>Unit Holders' funds at end of the year/period</b>	<b><u>10,220</u></b>	<b><u>8,488</u></b>

The Fund issues units for new investor subscriptions once a month based on the previous month-end unit price. At 31 March 2013 the Fund had received \$50,500 (2012: \$1,290,000) in new subscriptions from investors during March 2013. The units for these were issued in April 2013 once the 31 March 2013 unit price had been calculated. The number of units issued in April 2013 totalled 50,094 (2012: 1,280,270). Those units are not included in the above units on issue table.

##### Redeemable Units and Capital Management

The Fund issues redeemable units. The net asset value of the units is shown in the Statement of Financial Position as Funds Attributable to Unit Holders. The relevant movements are shown on the Statement of Changes in Funds Attributable to Unit Holders.

Every unit in the Fund confers an equal undivided beneficial interest in the Fund provided that a part of a Unit will only confer that part of the interest that is conferred by a whole Unit. Except where expressly provided in the Trust Deed to the contrary or where the context does not so permit, all the benefits and provisions contained in the Trust Deed are for the benefit of, and can be enforced by, each Unit Holder. This includes the right to:

- Have their units redeemed;
- Receive the Unit Holders' funds of the Fund upon termination of the Fund and after payment of all creditors of the Fund;
- Receive distributions from the Fund when the Manager determines to make distributions; and
- Attend and vote at meetings of Unit Holders.

#### 10. RECONCILIATION OF PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2013 \$'000	Period ended 31 March 2012 \$'000
<b>Profit</b>	<b>15</b>	<b>18</b>
<i>Adjustments for:</i>		
Payments for the purchase of investment securities	(7,241)	(7,378)
Proceeds from sales of investment securities and derivatives	4,831	-
Realised (gain)/loss on investment securities and derivatives	176	-
Unrealised loss/(gain) on investment securities and derivatives	(52)	(38)
Amount held for investment	1,043	(1,043)
Increase/(decrease) in payables	(15)	21
<b>Net cash (outflow) from operating activities</b>	<b><u>(1,243)</u></b>	<b><u>(8,420)</u></b>



**KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**11. CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	31 March 2013				Total \$'000
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	
	\$'000	\$'000	\$'000	\$'000	
<b>ASSETS</b>					
Cash and cash equivalents	-	-	578	-	578
Receivables	-	-	-	-	-
Investment securities designated at fair value through profit or loss	-	9,695	-	-	9,695
<b>Total Assets</b>	<b>-</b>	<b>9,695</b>	<b>578</b>	<b>-</b>	<b>10,273</b>
<b>LIABILITIES</b>					
Payables	-	-	-	6	6
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>6</b>

	31 March 2012				Total \$'000
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	
	\$'000	\$'000	\$'000	\$'000	
<b>ASSETS</b>					
Cash and cash equivalents		-	59	-	59
Receivables		-	1,043	-	1,043
Investment securities designated at fair value through profit or loss	-	7,416	-	-	7,416
<b>Total Assets</b>	<b>-</b>	<b>7,416</b>	<b>1,102</b>	<b>-</b>	<b>8,518</b>
<b>LIABILITIES</b>					
Payables	-	-	-	21	21
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>21</b>



**KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**12. MATURITY ANALYSIS**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

**31 March 2013**

	<b>Within 12 months \$'000</b>	<b>Over 12 months \$'000</b>	<b>Maturity not specified \$'000</b>	<b>Total \$'000</b>
<b>ASSETS</b>				
Cash and cash equivalents	578	-	-	578
Receivables	-	-	-	-
Investment securities designated as fair value through profit or loss	-	-	9,695	9,695
<b>Total Assets</b>	<b>578</b>	<b>-</b>	<b>9,695</b>	<b>10,273</b>
<b>LIABILITIES</b>				
Payables	53	-	-	53
<b>Total Liabilities</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>53</b>

**31 March 2012**

	<b>Within 12 months \$'000</b>	<b>Over 12 months \$'000</b>	<b>Maturity not specified \$'000</b>	<b>Total \$'000</b>
<b>ASSETS</b>				
Cash and cash equivalents	59	-	-	59
Receivables	1,043	-	-	1,043
Investment securities designated at fair value through profit or loss	-	-	7,416	7,416
<b>Total Assets</b>	<b>1,102</b>	<b>-</b>	<b>7,416</b>	<b>8,518</b>
<b>LIABILITIES</b>				
Payables	30	-	-	30
<b>Total Liabilities</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>30</b>





## KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

#### 13. RELATED PARTY TRANSACTIONS

The Fund is managed by King Tide Asset Management Limited ("The Manager"). The co-managers of King Tide Asset Management Limited are Mark Houghton and Robert Campbell. Mark Houghton is the co-founder and the largest shareholder of Saxe-Coburg Ltd., which manages private client portfolios for New Zealand investors. Rob Campbell is the second largest shareholder of King Tide Asset Management, and has responsibility for compliance and marketing, as well as being Chairman and an integral part of the investment committee. The other members of the Board of the Manager are Alistair Sutherland and Henri Eliot.

##### *Manager fees*

The Manager is entitled to a management fee, payable out of the fund, in relation to the services it provides as the manager of the Fund of 1.25%, which decreased to 0.75% from 1 February 2013 (2012: 1.25%), of the net asset value of the Fund. The management fee is calculated monthly based on the Fund's net asset value as at the last business day of each month and will be paid in arrears immediately following the determination of the net asset value of the Fund each month and on the date of termination of the Fund. Total management fees for the period amounted to \$115,772 (2012: \$21,318) with \$5,955 (2012: \$21,318) outstanding as at 31 March 2013.

The Manager is entitled to be paid a performance fee which is equal to 10% of the Fund's profit after the deduction of Management Fees. The Performance Fee is subject to a high water mark, and is calculated and payable monthly.

As outlined in the Fund's Deed of Establishment, the Manager intends to pay the fees of the Trustee, together with the expenses of operating the Fund, such as custody and audit fees, out of its management fees. Audit fees for the period amounted to \$8,000 (2012: \$8,000).

##### *Trustee fees*

Public Trust is entitled to a fee for the services it provides as trustee of the Fund of up to 0.08% per annum of the Fund's gross asset value, subject to a minimum fee of NZ\$25,000 per annum. Total trustee fees for the period amounted to Nil (2012: Nil) with Nil (2012: Nil) outstanding as at 31 March 2013.

##### *Related party holdings in the Fund*

At 31 March 2013 and 31 March 2012, the directors of KingTide Asset Management held units or had subscribed for units in the Fund. Their holdings held either directly or indirectly as beneficial owners were:

#### 31 March 2013

	Units '000	Interest held %	Units subscribed during the period '000	Units disposed during the period '000
Robert Campbell	326	3	180	-
Relatives of Rob Campbell	104	1	104	-
Alistair Sutherland	1,480	15	596	511
Relatives of Alister Sutherland	99	1	-	-
Henri Eliot	51	1	51	-
Relatives of Henri Eliot	49	-	-	-
Mark Houghton	30	-	-	-
Relatives of Mark Houghton	17	-	-	-

#### 31 March 2012

	Units '000	Interest held %	Units acquired during the period '000	Units disposed of during the period '000
<i>Managed Funds</i>				
Robert Campbell	146	2	146	-
Alistair Sutherland	1,395	17	1,395	-
Relatives of Alister Sutherland	99	1	99	-
Relatives of Henri Eliot	49	-	49	-
Mark Houghton	30	-	30	-
Relatives of Mark Houghton	17	-	17	-



# KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 13. RELATED PARTY TRANSACTIONS (Continued)

All related party transactions are made at arm's length on normal commercial terms and conditions.

#### Holdings in Related Parties

The Fund does not hold shares or units in other funds managed by the Manager.

### 14. FINANCIAL RISK MANAGEMENT

#### Strategy in Using Financial Instruments

The Fund aims to provide local and international investors with diversified, active exposure to the New Zealand and Australian equity markets, through allocating capital to a select group of long/short equity Underlying Funds domiciled in these markets. These Underlying Funds are built around superior stock selection, have a portfolio of both long and short positions to reduce overall portfolio and market risk, and have an investment process that is extremely focused on risk management. One of the key criteria the Fund will require from an Underlying Fund is the ability to protect investors from broad market risk. The Fund's objective is to achieve positive absolute returns over any rolling three to five year period irrespective of market trends.

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk.

#### 14a. Market Price Risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

All equity investment present a risk of loss of capital often due to factors beyond the Manager's control such as regulatory changes, political events, market sentiment, environmental and technology issues, competition, commodity price changes and changes in general economic climate domestically and internationally. The Manager moderates this risk through careful stock selection and diversification applying both quantitative and qualitative measures when selecting the Underlying Funds that meet the investment objectives and policy of the Fund.

At the overall market exposure was as follows:

	31 March 2013		31 March 2012	
	Fair value \$'000	% of unit holders' funds valued at bid/asking market price	Fair value \$'000	% of unit holders' funds valued at bid/asking market price
Unit trusts	9,695	95	7,416	87

The table below shows the sensitivity analysis to a reasonably possible change in market price with all other variables held constant.

	31 March 2013			
	Profit or loss		Unit holders' funds	
	20% increase \$'000	20% decrease \$'000	20% increase \$'000	20% decrease \$'000
New Zealand unit trusts	516	(516)	516	(516)
Australian equities unit trusts	1,423	(1,423)	1,423	(1,423)



## KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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

	31 March 2012			
	Profit or loss		Unit holders' funds	
	20%	20%	20%	20%
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
New Zealand unit trusts	365	(365)	365	(365)
Australian equities unit trusts	1,118	(1,118)	1,118	(1,118)

#### 14b. Currency Risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds financial instruments and other monetary assets and liabilities denominated in New Zealand and Australian dollar currencies. It is therefore exposed to currency risk, as the value of the of the financial instruments denominated in Australian dollar will fluctuate due to changes in exchange rates.

The table below summarises the Fund's exposure to currency risk in New Zealand dollar value of the financial instruments.

	31 March 2013	31 March 2012
	AUD \$'000	AUD \$'000
<b>ASSETS</b>		
Cash and cash equivalents	514	-
Investment securities designated at fair value through profit or loss	7,114	5,589
Receivables	-	1,043
<b>Net exposure before hedging activity</b>	<u>7,628</u>	<u>6,632</u>

The table below shows the sensitivity analysis for non monetary assets, with all other variables remaining constant, where the Fund has significant currency risk exposure. The analysis shows the impact of a change in the New Zealand dollar to Australian dollar currency exchange rate.

	31 March 2013			
	Profit or loss		Unit holders' funds	
	10%	10%	10%	10%
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
Foreign cash and cash equivalents	(51)	51	(51)	51
Australian investments	(711)	711	(711)	711
Receivables	-	-	-	-

	31 March 2012			
	Profit or loss		Unit holders' funds	
	10%	10%	10%	10%
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
Foreign cash and cash equivalents	-	-	-	-
Australian investments	(559)	559	(559)	559
Receivables	(104)	104	(104)	104



## KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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

##### 14c. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Apart from temporary holdings of cash or derivative transactions for the purpose of hedging currency risk, the Fund only invests in Underlying Funds operated by New Zealand and Australian domiciled long/short equity fund managers. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Any sensitivity is immaterial.

##### 14d. Credit Risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The Fund does not use credit derivatives to mitigate credit risk.

The Fund's cash and cash equivalents balances are held with ANZ Banking Group Limited (AA- credit rating) and BNP Paribas Securities Services (A+ credit rating).



**KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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

**14e. Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

Liquidity risk is managed by holding liquid investments to enable the Fund to meet withdrawal requests from Unit Holders and to pay liabilities as they fall due. The Underlying Funds in which the Fund invests invest principally in Australian and New Zealand listed securities.

The tables below analyse the Fund's financial assets (excluding unit trust investments that have no maturity dates) and financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Derivative financial assets and liabilities are shown in a separate table.

	31 March 2013						
	Statement of Financial Position	Contractual Cash Flows	Within 6 months	Between 6-12 months	Between 1-2 years	Between 1-5 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
Cash and cash equivalents	578	578	578	-	-	-	-
Receivables	-	-	-	-	-	-	-
	<u>578</u>	<u>578</u>	<u>578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**LIABILITIES**

Payables	6	6	6	-	-	-	-
	<u>6</u>	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	31 March 2012						
	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6-12 months	Between 1-2 years	Between 1-5 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
Cash and cash equivalents	59	59	59	-	-	-	-
Receivables	1,043	1,043	-	-	-	-	-
	<u>1,102</u>	<u>1,102</u>	<u>59</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**LIABILITIES**

Payables	21	21	21	-	-	-	-
	<u>21</u>	<u>21</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



**KTAM NZ/AUSTRALIAN LONG/SHORT EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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

**14f. Fair Value of Financial Instruments**

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

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

	31 March 2013			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets</b>				
<i>Financial assets designated at fair value through profit or loss:</i>				
New Zealand unit trusts	-	2,581	-	2,581
Australian unit trusts	-	7,114	-	7,114
	<u>-</u>	<u>9,695</u>	<u>-</u>	<u>9,695</u>

	31 March 2012			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets</b>				
<i>Financial assets designated at fair value through profit or loss:</i>				
New Zealand unit trusts	-	1,827	-	1,827
Australian unit trusts	-	5,589	-	5,589
	<u>-</u>	<u>7,416</u>	<u>-</u>	<u>7,416</u>

The fair value of units held by the Fund in managed investment funds is determined by reference to published bid prices being the redemption price established by the underlying fund's responsible Manager and are included within level 2.

Due to their short term nature, cash and cash equivalents, receivables and payables are stated in the Statement of Financial Position at their carrying value which approximates to their fair value.

**15. CONTINGENT LIABILITIES AND COMMITMENTS**

The Fund had no commitments or contingencies at 31 March 2013 ( 2012: Nil).

**16. EVENTS SUBSEQUENT TO BALANCE DATE**

No significant events occurred after balance date.





## ***Independent Auditors' Report***

to the unit holders of the KTAM NZ/Australian Long/Short Equity Fund

### ***Report on the Financial Statements***

We have audited the financial statements of the KTAM NZ/Australian Long/Short Equity Fund (the "Fund") on pages 3 to 21, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, the statement of changes in funds attributable to unit holders and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

### ***Manager's Responsibility for the Financial Statements***

The Fund's Manager is responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Fund's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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



## ***Independent Auditors' Report*** KTAM NZ/Australian Long/Short Equity Fund

### ***Opinion***

In our opinion, the financial statements on pages 3 to 21:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Fund as at 31 March 2013, and its financial performance, changes in funds attributable to unit holders and cash flows for the year then ended.

### ***Report on Other Legal and Regulatory Requirements***

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2013:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Fund as far as appears from an examination of those records.

### ***Restriction on Distribution or Use***

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

A large, stylized handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
28 August 2013

Auckland