

**Devon Funds**  
**Financial Statements**  
**For the period ended 31 March 2016**



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

to the unit holders of the Devon Funds

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

We have audited the financial statements of Devon Funds, comprised of each of the following Funds:

- Devon Trans Tasman Fund
- Devon Alpha Fund
- Devon Australian Fund
- Devon Dividend Yield Fund
- Devon Global Themes Fund
- Devon Diversified Income Fund

(the "Funds") on pages 3 to 21, which comprise the balance sheets as at 31 March 2016, the statements of comprehensive income, the statements of changes in net assets attributable to unitholders and the cash flow statements for the year or period 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 Funds' Manager is responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards 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). 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 Manager's preparation of financial statements of the Funds 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 Manager's internal control over the Funds. 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.



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

Devon Funds

We are independent of the Funds. Our firm carries out other services for the Funds in our capacities as auditors and providers of taxation and other assurance services. The provision of these other services has not impaired our independence.

### ***Opinion***

In our opinion, the financial statements on pages 3 to 21 present fairly, in all material respects, the financial position of the Funds as at 31 March 2016, and their financial performance and cash flows for the year or period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

### ***Restriction on Use of our Report***

This report is made solely to each Fund's unit holders, as a body. Our audit work has been undertaken so that we might state to each 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 handwritten signature in blue ink, reading 'PricewaterhouseCoopers', written in a cursive style.

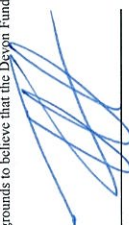
Chartered Accountants  
24 June 2016

Auckland

Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Devon Funds as at 31 March 2016 and their results for the period ended on that date in accordance with the requirements of the Devon Dividend Yield Fund (previously Devon Equity Income Fund) Trust Deed dated 27 November 2012, the Devon Alpha Fund Trust Deed dated 13 May 2010, the Devon Trans-Tasman Fund Trust Deed dated 14 March 2007, the Devon Australian Fund Trust Deed dated 4 August 2010, the Devon Global Themes Fund Trust Deed dated 16 September 2014 and the Devon Diversified Income Fund Trust Deed dated 23 November 2015.

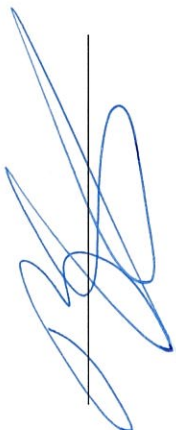
There are reasonable grounds to believe that the Devon Funds will be able to pay their debts as and when they fall due.



Director

Devon Funds Management Limited

24 June 2016



Director

Additional Unitholder Information

Notice of Trust Deed Amendment

Under clause 33.2 of the Trust Deeds governing the Devon Funds and the Unit Funds Act 1960, the Manager, Devon Funds Management Limited, is required to advise unitholders in summary form of any amendments to the Trust Deed. There have been no amendments to the Trust Deeds during the period covered by the Financial Statements.



Devon Funds

Statements of Comprehensive Income  
For the period ended 31 March 2016

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
Notes	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income</b>												
Interest income	40,468	30,327	858,963	731,020	36,272	33,455	132,542	133,549	39,711	7,933	5,587	
Dividend income	1,843,873	999,943	2,561,548	1,390,262	1,901,794	1,108,475	4,718,601	3,390,047	719,019	96,229	-	
Net foreign currency gains/(losses) on cash and cash equivalents	(13,457)	(36,515)	770,252	(837,676)	109,213	(112,073)	188,049	(115,332)	(163,188)	(49,961)	-	
Net gain/(loss) on financial instruments held at fair value through profit	3,747,926	3,500,459	401,632	14,661,890	627,238	4,142,398	5,380,963	14,058,396	(2,692,081)	720,158	16,821	
Fee Rebates	-	-	-	-	-	-	-	-	-	-	330	
Other income	4,972	-	89,329	-	11,636	-	37,793	-	2,941	551	-	
<b>Total income</b>	<b>5,623,782</b>	<b>4,494,214</b>	<b>4,481,724</b>	<b>15,945,496</b>	<b>2,686,153</b>	<b>5,172,255</b>	<b>10,457,948</b>	<b>17,466,660</b>	<b>(2,093,598)</b>	<b>774,910</b>	<b>22,738</b>	
<b>Expenses</b>												
Management and Performance fees	508,188	238,917	1,029,055	2,398,507	490,153	495,263	1,496,367	1,632,967	291,472	28,329	735	
Expense allowance	122,103	59,616	284,903	197,140	124,529	65,740	330,984	214,784	110,080	10,699	320	
Establishment cost recovery	-	-	-	6,509	-	12,227	-	-	-	-	-	
Transaction costs	185,428	100,603	702,515	645,244	170,104	131,045	499,293	440,777	35,829	11,325	1,270	
Administration and Other expenses	1,347	1,214	715	1,220	66	158	1,333	1,500	1,393	-	-	
<b>Total operating expenses</b>	<b>817,066</b>	<b>400,350</b>	<b>2,017,188</b>	<b>3,248,620</b>	<b>784,852</b>	<b>704,433</b>	<b>2,327,977</b>	<b>2,290,028</b>	<b>438,774</b>	<b>50,353</b>	<b>2,325</b>	
<b>Profit/(loss) attributable to Unitholders</b>	<b>4,806,716</b>	<b>4,093,864</b>	<b>2,464,536</b>	<b>12,696,876</b>	<b>1,901,301</b>	<b>4,467,822</b>	<b>8,129,971</b>	<b>15,176,632</b>	<b>(2,532,372)</b>	<b>724,557</b>	<b>20,413</b>	
<b>Total comprehensive income/(loss) attributable to Unitholders</b>	<b>4,806,716</b>	<b>4,093,864</b>	<b>2,464,536</b>	<b>12,696,876</b>	<b>1,901,301</b>	<b>4,467,822</b>	<b>8,129,971</b>	<b>15,176,632</b>	<b>(2,532,372)</b>	<b>724,557</b>	<b>20,413</b>	

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

**Devon Funds**  
**Statements of Changes in Net Assets Attributable to Unitholders**  
**For the period ended 31 March 2016**



	Devon Dividend Yield Fund			Devon Alpha Fund			Devon Australian Fund			Devon Trans Tasman Fund			Devon Global Themes Fund			Devon Diversified Income Fund
	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Period ended 31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Unitholders' funds at the beginning of the period</b>	27,312,602	10,066,948	101,646,101	62,899,542	36,915,452	19,359,237	107,106,839	83,742,075	15,081,355	-	-	-	-	-	-	-
Proceeds from units issued	21,805,426	17,295,268	10,308,782	41,005,811	10,670,499	15,101,256	40,006,514	29,737,491	32,542,947	14,480,085	1,477,583	14,480,085	32,542,947	14,480,085	1,477,583	1,477,583
Redemption of units	(5,795,709)	(3,359,664)	(13,095,576)	(12,893,177)	(2,911,968)	(907,609)	(28,264,632)	(18,206,403)	(3,336,109)	(106,494)	(50,340)	(106,494)	(3,336,109)	(106,494)	(50,340)	(50,340)
Distributions	(1,634,358)	(729,466)	(2,829,330)	(2,028,634)	(1,513,252)	(1,035,748)	(4,195,186)	(3,287,238)	-	-	-	-	-	-	-	-
Unitholder tax liabilities	(28,234)	(34,348)	(245,098)	(34,317)	(172,572)	(69,506)	(113,570)	(55,718)	(92,139)	(16,793)	(934)	(16,793)	(92,139)	(16,793)	(934)	(934)
<b>Net increase/(decrease) from transactions in units</b>	14,347,125	13,131,790	(5,861,222)	26,049,683	6,072,707	13,088,393	7,433,126	8,188,132	29,114,699	14,356,798	1,426,309	14,356,798	29,114,699	14,356,798	1,426,309	1,426,309
<b>Total comprehensive income/(loss) attributable to Unitholders</b>	4,806,716	4,093,864	2,464,536	12,696,876	1,901,301	4,467,822	8,129,971	15,176,632	(2,532,372)	724,557	20,413	724,557	(2,532,372)	724,557	20,413	20,413
<b>Unitholders' funds at the end of the period</b>	46,466,443	27,312,602	98,249,415	101,646,101	44,889,460	36,915,452	122,669,936	107,106,839	41,663,682	15,081,355	1,446,722	15,081,355	41,663,682	15,081,355	1,446,722	1,446,722
<b>Units on issue</b>																
Units on issue at the beginning of the period	15,942,392	7,110,773	64,534,426	45,154,193	28,730,752	16,889,758	31,651,169	28,097,966	6,732,263	-	-	-	6,732,263	-	-	-
Units issued	12,856,836	11,003,371	6,726,773	28,300,663	8,426,109	12,638,249	12,105,685	9,350,294	14,217,537	6,783,144	978,336	6,783,144	14,217,537	6,783,144	978,336	978,336
Units redeemed	(3,420,978)	(2,171,752)	(8,703,161)	(8,920,430)	(2,381,719)	(797,255)	(8,555,018)	(5,797,091)	(1,468,376)	(50,881)	(33,651)	(50,881)	(1,468,376)	(50,881)	(33,651)	(33,651)
<b>Balance at the end of the period</b>	25,378,250	15,942,392	62,558,038	64,534,426	34,775,142	28,730,752	35,201,836	31,651,169	19,481,424	6,732,263	944,685	6,732,263	19,481,424	6,732,263	944,685	944,685

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

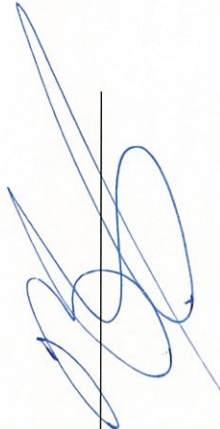
Devon Funds  
Balance Sheets  
As at 31 March 2016

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
Notes	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Current assets</b>												
Cash and cash equivalents	4,665,460	3,133,073	38,790,542	49,868,964	1,502,655	1,326,270	6,787,877	6,585,585	1,503,492	900,226	580,922	
Outstanding settlements - Receivable	216,807	514,333	323,087	-	19,009	461,227	136,939	-	-	-	-	-
Financial assets held at fair value through profit or loss	43,565,417	24,172,405	59,234,386	53,287,611	43,253,858	35,002,413	115,439,384	100,664,102	40,276,345	14,586,616	864,217	-
Related party receivables	-	-	-	-	-	-	-	-	-	-	330	-
Other receivables	427,233	278,269	203,746	308,093	302,264	177,838	1,142,037	782,071	4,003	213,685	3,242	-
Tax receivable on behalf of the unitholders	9,506	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>48,884,423</b>	<b>28,098,080</b>	<b>98,551,761</b>	<b>103,464,668</b>	<b>45,077,786</b>	<b>37,167,748</b>	<b>123,506,237</b>	<b>108,029,758</b>	<b>41,783,840</b>	<b>15,700,527</b>	<b>1,448,711</b>	
<b>Current Liabilities</b>												
Financial liabilities held at fair value through profit and loss	108,618	-	-	-	-	-	-	-	-	-	-	-
Outstanding settlements - Payable	2,192,696	740,880	-	152,012	-	155,146	599,622	764,963	-	602,946	-	-
Related party payables	116,666	24,850	107,914	1,666,193	52,272	42,303	134,744	123,130	44,975	14,685	1,055	-
Unitholder tax liabilities payable	-	19,748	194,431	362	136,054	54,847	64,021	14,740	18,929	1,541	934	-
Other payables	-	-	1	-	-	-	37,914	20,086	56,254	-	-	-
<b>Total liabilities</b>	<b>2,417,980</b>	<b>785,478</b>	<b>302,346</b>	<b>1,818,567</b>	<b>188,326</b>	<b>252,296</b>	<b>836,301</b>	<b>922,919</b>	<b>120,158</b>	<b>619,172</b>	<b>1,989</b>	
<b>Unitholders' funds</b>	<b>46,466,443</b>	<b>27,312,602</b>	<b>98,249,415</b>	<b>101,646,101</b>	<b>44,889,460</b>	<b>36,915,452</b>	<b>122,669,936</b>	<b>107,106,839</b>	<b>41,663,682</b>	<b>15,081,355</b>	<b>1,446,722</b>	

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

The Directors of Devon Funds Management Limited authorised these Financial Statements for issue on 24 June 2016.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



**Devon Funds**  
**Cash Flow Statements**  
**For the period ended 31 March 2016**



Notes	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	Year ended 31 March 2016 \$	Year ended 31 March 2015 \$	Year ended 31 March 2016 \$	Year ended 31 March 2015 \$	Year ended 31 March 2016 \$	Year ended 31 March 2015 \$	Year ended 31 March 2016 \$	Year ended 31 March 2015 \$	Year ended 31 March 2016 \$	Year ended 31 March 2015 \$	Year ended 31 March 2016 \$	Year ended 31 March 2015 \$
<b>Cash flows from operating activities</b>												
Proceeds from sale of financial instruments held at fair value through profit or loss	28,307,313	15,990,920	130,937,949	130,715,879	41,288,401	35,115,871	117,976,856	102,679,773	5,600,790	1,187,033	-	-
Dividends and Distributions received	1,511,533	840,908	2,367,872	1,312,668	1,587,686	1,042,350	4,344,685	3,270,487	719,019	96,229	-	-
Interest income	40,589	25,648	956,973	649,317	35,073	31,939	142,571	121,768	39,393	4,248	2,345	2,345
Purchase of financial instruments held at fair value through profit or loss	(41,491,048)	(27,671,121)	(136,000,703)	(127,798,562)	(48,422,175)	(48,130,987)	(127,592,136)	(112,278,058)	(34,814,691)	(14,354,680)	(847,396)	(847,396)
Forward currency contracts	(460,905)	481,015	(358,006)	199,343	-	-	-	-	229,564	(95,865)	-	-
Payments to suppliers	(722,141)	(386,587)	(3,574,949)	(2,868,251)	(776,334)	(718,381)	(2,316,445)	(2,353,322)	(408,903)	(35,249)	(1,270)	(1,270)
Other Income	4,972	-	89,329	-	11,636	-	37,793	-	2,941	551	-	-
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(12,809,687)</b>	<b>(10,719,217)</b>	<b>(6,181,535)</b>	<b>2,210,394</b>	<b>(6,275,703)</b>	<b>(12,659,208)</b>	<b>(7,406,676)</b>	<b>(8,559,352)</b>	<b>(28,631,887)</b>	<b>(13,197,733)</b>	<b>(846,321)</b>	<b>(846,321)</b>
<b>Cash flows from financing activities</b>												
Proceeds from units issued	22,730,612	17,242,342	8,443,903	41,011,203	9,397,144	15,226,005	27,687,920	29,882,357	32,149,862	14,270,085	1,427,243	1,427,243
Redemptions of units	(6,362,707)	(3,400,508)	(12,715,434)	(12,987,277)	(2,911,968)	(947,587)	(18,095,798)	(18,199,955)	(2,676,770)	(106,494)	-	-
Distributions paid	(1,956,487)	(729,466)	(1,344,579)	(2,038,634)	(150,824)	(1,035,748)	(2,104,914)	(3,287,238)	-	-	-	-
Payment of Unitholder tax (liability)/receivable	(55,203)	(34,600)	(51,029)	(33,955)	(89,856)	(14,659)	(64,289)	(40,978)	(74,751)	(15,252)	-	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>14,356,155</b>	<b>13,077,768</b>	<b>(5,667,139)</b>	<b>25,961,337</b>	<b>6,144,496</b>	<b>13,228,011</b>	<b>7,422,919</b>	<b>8,354,186</b>	<b>29,398,341</b>	<b>14,148,339</b>	<b>1,427,243</b>	<b>1,427,243</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,546,468</b>	<b>2,358,551</b>	<b>(11,848,674)</b>	<b>28,171,731</b>	<b>(131,207)</b>	<b>568,803</b>	<b>16,243</b>	<b>(205,166)</b>	<b>766,454</b>	<b>950,606</b>	<b>580,922</b>	<b>580,922</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>3,133,073</b>	<b>811,038</b>	<b>49,868,964</b>	<b>22,535,084</b>	<b>1,526,270</b>	<b>1,069,707</b>	<b>6,583,585</b>	<b>6,904,546</b>	<b>900,226</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>(14,081)</b>	<b>(36,516)</b>	<b>770,252</b>	<b>(837,851)</b>	<b>107,592</b>	<b>(112,240)</b>	<b>188,049</b>	<b>(115,795)</b>	<b>(163,188)</b>	<b>(50,380)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>4,665,460</b>	<b>3,133,073</b>	<b>38,790,542</b>	<b>49,868,964</b>	<b>1,502,655</b>	<b>1,526,270</b>	<b>6,787,877</b>	<b>6,583,585</b>	<b>1,503,492</b>	<b>900,226</b>	<b>580,922</b>	<b>580,922</b>

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



## 1. General information

### Reporting Entity

The reporting entities included in these Financial Statements are the Devon Dividend Yield Fund (previously Devon Equity Income Fund until 31 July 2015), the Devon Alpha Fund, the Devon Australian Fund, the Devon Trans Tasman Fund, the Devon Global Themes Fund and the Devon Diversified Income Fund that are referred to throughout these Financial Statements as the 'Funds'.

The Funds were created under a Master Trust Deed executed by Devon Funds Management Limited on 10 September 1998 and Unit Trust Establishment Deeds between Devon Funds Management Limited and Trustees Executors Limited dated 27 November 2012 for Devon Dividend Yield Fund, 13 May 2010 for the Devon Alpha Fund, 4 August 2010 for the Devon Australian Fund, 14 March 2007 for the Devon Trans Tasman Fund, 16 September 2014 for the Devon Global Themes Fund and 23 November 2015 for the Devon Diversified Income Fund.

The Funds' activities are managed by Devon Funds Management Limited (the 'Manager'). Devon Funds Management Limited is a wholly owned subsidiary of Devon Funds Group Limited. The Trustee is Trustees Executors Limited (the 'Trustee').

The investment objectives of the Funds are as follows:

- Devon Dividend Yield Fund - invests in the New Zealand and Australian equity markets and cash.
- Devon Alpha Fund - invests in the New Zealand and Australian equity markets and cash.
- Devon Australian Fund - invests in the New Zealand and Australian equity markets and cash.
- Devon Trans Tasman Fund - invests in the New Zealand and Australian equity markets and cash.
- Devon Global Themes Fund - invests in Global financial securities and cash.
- Devon Diversified Income Fund - invests in bonds, high yield credit, high yielding Australasian equities and other Funds.

The registered office for the Funds is at the offices of Devon Funds Management Limited, Level 10 Rabobank Tower, 2 Commerce St Auckland, New Zealand. The Financial Statements are presented in New Zealand dollars.

The Funds are domiciled in New Zealand.

### Statutory Base

The Funds are Unit Trusts as defined by the Unit Trusts Act 1960 and are subject to the provisions of that Act.

These Financial Statements have been prepared in accordance with the requirements of the Unit Trusts Act 1960, the Financial Markets Conduct Act 2013, and the Funds' Trust Deeds.

The Financial Statements were authorised for issue by the directors on 24 June 2016.

The Financial Statements for the Funds are for the year ended 31 March 2016, except for Devon Diversified Income Fund which is for the 4 month 7 day period from 23 November 2015, being the date of establishment, to 31 March 2016. Comparatives for the Funds are for the year ended 31 March 2015, except for Devon Global Themes Fund which is for the 6 month 14 day period from 16 September 2014, being the date of establishment, to 31 March 2015.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

The Financial Statements have been prepared in accordance with the requirements of the Unit Trusts Act 1960, the Financial Markets Conduct Act 2013, the Trust Deed and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The Financial Statements comply with International Financial Reporting Standards (IFRS). These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

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

#### (a) Standards and amendments to existing standards effective 1 April 2015 impacting the Funds.

The following standards and amendments to existing standards are not a comprehensive list of standards and amendments but are only those that affect the Funds.

NZ IAS 24 Amendments to NZ IAS 24 Related party disclosures (effective for annual periods commencing on or after 1 July 2014). NZ IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the Funds ("management entity"). The Funds are not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but they are required to disclose the amounts charged to the Funds by the management entity for services provided. The Manager of the Funds has considered the amendment to the standard and is satisfied that the financial statements are in compliance with the disclosures as prescribed by the amendment to the standard.

## 2.1 Basis of preparation (continued)

### (b) Standards and amendments to existing standards that are not yet applicable and have not been early adopted by the Funds

The following new standards and amendments to existing standards are not a comprehensive list of standards and amendments but are only those that affect the Funds.

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

Amendments to NZ IFRS 10 'Consolidated financial statements' and NZ IAS 28 'Investments in associates' on 'Investment entities' (effective for periods commencing on or after 1 January 2016). It confirms that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties. The Manager of the Funds is satisfied that the Fund applied the approach, prescribed by the amendment to the standards on a consistent basis since inception of the exemption criteria of investment entities from consolidation.

Amendments to NZ IAS 1 'Presentation of financial statements' (effective for periods commencing on or after 1 January 2016). The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosures of accounting policies. The amendments form part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. Upon adopting the new amendment for the year commencing 1 April 2016, the Manager will consider the Funds' financial statements in light of these clarifications and whether there are opportunity to clarify or improve the disclosures.

## 2.2 Financial Instruments

### (a) Classification

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

#### *Financial instruments held for trading*

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

#### *Financial instruments designated at fair value through profit or loss at inception*

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

These are investments in exchange traded equity instruments, unlisted unit trusts and debt securities.

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



## 2.2 Financial Instruments (continued)

### (b) Recognition, derecognition and measurement

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date). Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds' have transferred substantially all of the risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statement of Comprehensive Income within net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

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

### (c) Fair value estimation

#### *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Funds' is the current last price, the appropriate quoted market price for financial liabilities is the current asking price.

#### *Fair value in an inactive or unquoted market*

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

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

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds. Where the units of the other funds are not publicly traded, redemption can only be made by the Funds on the redemption dates and subject to the required notice periods specified in the offering documents of the other funds. The rights of the Funds to request redemption of their investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Funds may be materially affected by the actions of other investors who have invested in other funds in which the Funds have invested.

### 2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 2.4 Net assets attributable to Unitholders

The Funds issue units that are redeemable at the Unitholders' option and have identical features and are therefore classified as equity. The units can be put back to the Funds at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if Unitholders exercised their right to put the units back to the Funds. As stipulated in the Funds' Deeds, each unit represents an individual share in the Funds and does not extend to a right in the underlying assets of the Funds. There are no separate classes of units within the Funds and each unit has the same rights attaching to it as all other units in the Funds.

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

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

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

### 2.5 Cash and cash equivalents

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

### 2.6 Investment income

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

## 2.7 Receivables

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

## 2.8 Payables

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

## 2.9 Investments gains and losses

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

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

## 2.10 Expenses

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

## 2.11 Foreign currency translation

### (a) Functional and presentation currency

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

The Manager considers the New Zealand dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Funds' measures their performance and report their results, as well as the currency in which the Funds receive subscriptions from investors.

### (b) Transactions and balances

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

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

## 2.12 Income tax

The Funds qualify as and have elected to be Portfolio Investment Entities (PIEs) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Funds have no income tax expense. Accordingly, no income tax expense is recognised in the Statement of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statement of Changes in Unitholders' Funds.

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

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

## 2.13 Goods and services tax ("GST")

The Funds are not registered for GST. The Statement of Comprehensive Income and Cash Flow Statement have been prepared so that all components are stated inclusive of GST. All amounts are inclusive of GST.

## 2.14 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements.



### 3. Critical accounting estimates and judgements

The Manager of the Funds makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Fair value of derivative financial instruments*

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

#### *Fair value of securities not quoted in an active market*

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

### 4. Commitments and contingent liabilities

At 31 March 2016, the Funds had no commitments or contingencies. At 31 March 2015, the Funds had made commitments to purchase shares as part of initial public offerings. These commitments were due for settlement on a delivery versus payment basis and subsequently settled in April 2015. Shares purchased and amounts were:

	Devon Dividend Yield Fund Shares	Purchase cost \$
Flitway Group Limited	375,000	450,000

### 5. Related Parties

#### 5.1 General

Devon Funds Management Limited is the Manager of the Funds and Trustees Executors Limited is the Trustee of the Funds.

The management fee and expense allowance is calculated on the Gross Asset Value of the Funds.

The Manager has charged a management fee and expense allowance, creating a total Management Expense Ratio (the "MER") on the Funds. The administration expenses are recovered through an expense allowance. The MER includes other expenses reimbursable from the Funds (such as registry, custody, trustees and normal legal fees) but excludes abnormal or one-off costs, brokerage and any performance fees.

The amounts paid to the Manager are shown in the Statements of Comprehensive Income under "Expense Allowance". The amounts payable to the Manager are shown in the Funds' Balance Sheet as part of "Related party payables".

The administration expenses are recovered through an expense allowance. The amounts paid to the Manager are shown in the Statements of Comprehensive Income under "Expense Allowance". The amounts payable to the Manager are shown in the Funds' Balance Sheet as part of "Related party payables".

The table below lists the management fee and expense allowance rates for the Devon Funds

	Devon Dividend Yield Fund	Devon Alpha Fund	Devon Australian Fund	Devon Trans Tasman Fund	Devon Global Themes Fund	Devon Diversified Income
Management fee	0.7% per annum plus GST	1% per annum plus GST	1% per annum plus GST	1% per annum plus GST	0.9% per annum plus GST	0.65% per annum plus GST
Expense allowance	Capped at 0.30% per annum plus GST (This is inclusive of Trustee, custody, Fund accounting, Unit pricing, registry, legal and audit fees)	0.25% per annum plus GST (This is inclusive of Trustee, custody, Fund accounting, Unit pricing, registry, legal and audit fees)	0.25% per annum plus GST (This is inclusive of Trustee, custody, Fund accounting, Unit pricing, registry, legal and audit fees)	0.25% per annum plus GST (This is inclusive of Trustee, custody, Fund accounting, Unit pricing, registry, legal and audit fees)	Capped at 0.30% per annum plus GST (This is inclusive of Trustee, custody, Fund accounting, Unit pricing, registry, legal and audit fees)	Capped at 0.25% per annum plus GST (This is inclusive of Trustee, custody, Fund accounting, Unit pricing, registry, legal and audit fees)

A performance fee is entitled to be charged where the Fund meets the performance target. The Performance fees are calculated as follows:

- Devon Dividend Yield Fund  
10% of the net return of the Fund (reflected in the unit price) over the 50:50 NZX50:ASX200 Index (the Fund's Benchmark) for the relevant period, subject to a high watermark, plus GST.
- Devon Alpha Fund  
The first 1% of gross return above the benchmark of 12% up to 13% per annum, then 15% of the return thereafter, subject to a high watermark, plus GST.
- Devon Australian Fund  
10% of the net return of the Fund (reflected in the unit price) over a benchmark of 10% for the relevant period, subject to a high watermark, plus GST.
- Devon Trans Tasman Fund  
10% of the net return of the Fund (reflected in the unit price) over a benchmark of 9.85% for the relevant period, subject to a high watermark, plus GST.
- Devon Global Themes Fund  
The Manager does not intend to charge a performance fee for the Global Themes Fund.
- Devon Diversified Income Fund  
The Manager does not intend to charge a performance fee for the Diversified Income Fund.

## 5. Related Parties (continued)

### 5.2 Related party fees

Under the Trust Deed the management fees and performance fees payable to Devon Funds Management Limited are payable monthly in arrears.

The Trustee is paid a fee of up to 0.06% per annum (plus GST) of the gross asset value of each Fund and is payable monthly. The manager pays the Trustee fees as part of the Funds' expense allowance.

Audit fees are paid by the Manager from the expense allowance. The amounts paid to the auditors by the Manager on behalf of the Funds are as follows:

	Devon Dividend Yield Fund			Devon Alpha Fund			Devon Australian Fund			Devon Trans Tasman Fund			Devon Global Themes Fund			Devon Diversified Income Fund
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Period ended
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PricewaterhouseCoopers	10,733	10,925	10,733	10,925	10,733	10,925	10,733	10,925	10,733	10,925	10,733	10,925	10,733	9,775	10,733	10,733
There were no non-assurance related fees incurred by the manager during the year.																
The Funds have incurred the following fees to the related parties.																
Devon Funds Management Limited:																
Management fees	251,462	122,774	1,005,830	832,669	439,641	316,123	1,168,519	941,871	291,472	28,329	735					
Performance fees	256,726	116,143	23,225	1,565,838	50,512	179,140	327,848	691,096	-	-	-	-	-	-	-	-
Expense allowance	122,103	59,616	284,903	197,140	124,529	65,740	330,984	214,784	110,080	10,699	320					
Establishment cost recovery	-	-	-	6,509	12,227	-	-	-	-	-	-	-	-	-	-	-
	630,291	298,533	1,313,958	2,602,156	614,682	573,230	1,827,351	1,847,751	401,552	39,028	1,055					

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

	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Period ended
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Devon Funds Management Limited:																
Management fees payable	26,522	16,728	84,094	92,680	40,734	33,316	105,002	96,876	32,646	10,659	735					
Performance fees payable	77,265	-	-	1,548,339	-	-	-	-	-	-	-	-	-	-	-	-
Expense allowance payable	12,879	8,122	23,820	25,174	11,538	8,987	29,742	26,254	12,329	4,026	320					
	116,666	24,850	107,914	1,666,193	52,272	42,303	134,744	123,130	44,975	14,685	1,055					

The Devon Diversified Income Fund received management fee rebates of \$108. The receivables from related parties in respect of these were \$222 and \$108 respectively.

### 5.3 Investments by related parties

The investment interests of the directors of the Manager and related parties of the directors are:

	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Period ended
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors and related parties	1,792,519	1,633,728	5,923,852	5,656,538	1,660,605	1,585,670	2,477,602	2,268,384	1,119,984	1,124,664	1,146,042					
The investment interests of the Manager in the Funds at the Balance Date are:																
Devon Funds Management Limited	1,559	1,559	-	-	-	-	-	-	1,125	1,125	-					
The investment interests of related funds at Balance Date are:																
Devon Diversified Income Fund	354,833	-	-	-	-	-	-	-	-	-	-					



5. Related Parties (continued)  
5.3 Investments by related parties (continued)

At balance date, Devon Diversified Income Fund had \$354,833 invested in the Devon Dividend Yield Fund, which made up 1% of the holdings in the Devon Dividend Yield Fund. The Devon Diversified Income Fund derived income of \$17,967 for the period.

5.4 Related party investments

From time to time the Manager undertakes certain re-balancing trades of investments between the Funds and various funds managed by the Manager. On occasion, to facilitate client requirements, in-specie transfers between funds may occur. With exception to Diversified Income Fund which held \$354,833 invested in the Devon Dividend Yield Fund at balance date, there were no purchases or sales of related party investments in the year ended 31 March 2016 (31 March 2015 : nil).

6. Net changes in fair value of financial assets and liabilities

	Devon Dividend Yield Fund				Devon Alpha Fund				Devon Australian Fund				Devon Trans Tasman Fund				Devon Global Themes Fund				Devon Diversified Income Fund	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Period ended	Period ended
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net changes in fair value:																						
Total net gain from financial assets held at fair value through profit or loss - held for trading	493,336	956,140	2,381,879	1,018,226	-	-	-	-	-	-	-	-	-	-	-	-	2,054,237	203,485	-	-	-	-
Total net (loss)/gain from financial liabilities held at fair value through profit or loss - held for trading	(1,217,020)	(231,311)	(2,639,455)	(653,846)	-	-	-	-	-	-	-	-	-	-	-	-	(1,465,951)	(187,528)	-	-	-	-
Financial assets designated at fair value through profit or loss at inception	4,471,610	2,775,630	659,208	14,277,510	627,238	4,142,398	5,380,963	14,058,396	5,380,963	5,380,963	5,380,963	14,058,396	5,380,963	14,058,396	5,380,963	14,058,396	(3,280,367)	704,201	-	-	16,821	16,821
Net gain/(loss) on financial instruments held at fair value through profit or loss	3,747,926	3,500,459	401,632	14,661,890	627,238	4,142,398	5,380,963	14,058,396	5,380,963	5,380,963	5,380,963	14,058,396	5,380,963	14,058,396	5,380,963	14,058,396	(2,692,081)	720,158	-	-	16,821	16,821

7. Financial instruments by category

	Devon Dividend Yield Fund				Devon Alpha Fund				Devon Australian Fund				Devon Trans Tasman Fund				Devon Global Themes Fund				Devon Diversified Income Fund	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Period ended	Period ended
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets																						
Fair value through profit and loss at inception																						
Listed equities	43,439,650	23,892,477	58,924,645	53,078,300	43,253,858	35,002,413	115,439,384	100,664,102	39,805,800	14,474,794	-	-	-	-	-	-	-	-	-	-	354,833	509,384
Unlisted unit trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at fair value through profit and loss at inception	43,439,650	23,892,477	58,924,645	53,078,300	43,253,858	35,002,413	115,439,384	100,664,102	39,805,800	14,474,794	-	-	-	-	-	-	-	-	-	-	354,833	509,384
Fair value through profit or loss held for trading																						
Forward currency contracts	125,767	279,928	309,741	209,311	-	-	-	-	-	-	-	-	-	-	-	-	470,545	111,822	-	-	-	-
Total financial assets at fair value through profit or loss held for trading	125,767	279,928	309,741	209,311	-	-	-	-	-	-	-	-	-	-	-	-	470,545	111,822	-	-	-	-
Total financial assets held at fair value through profit or loss	43,565,417	24,172,405	59,234,386	53,287,611	43,253,858	35,002,413	115,439,384	100,664,102	40,276,345	14,586,616	-	-	-	-	-	-	-	-	-	-	864,217	864,217
Liabilities and receivables																						
Cash and cash equivalents	4,665,460	3,133,073	38,790,542	49,868,964	1,502,655	1,326,270	6,787,877	6,583,585	1,503,492	900,226	-	-	-	-	-	-	-	-	-	-	580,922	580,922
Outstanding settlements - Receivable	216,807	514,333	323,087	-	19,009	461,227	136,939	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Related party receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest	427,233	278,269	203,746	308,093	302,264	177,838	1,142,037	782,071	4,003	213,685	-	-	-	-	-	-	-	-	-	-	330	330
Other receivables	5,309,500	3,925,675	39,317,375	50,177,057	1,823,928	2,165,335	8,066,853	7,565,656	1,507,495	1,113,911	-	-	-	-	-	-	-	-	-	-	2,849	2,849
Total loans and receivables	48,874,917	28,098,080	98,551,761	103,464,668	45,077,786	37,167,748	123,506,237	108,029,738	41,783,840	15,700,527	-	-	-	-	-	-	-	-	-	-	584,494	584,494
Total financial assets																						

**Devon Funds**  
**Notes to the Financial Statements**  
**For the period ended 31 March 2016**

7. Financial instruments by category (continued)	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015
<b>Liabilities</b>												
Fair value through profit or loss held for trading												
Forward currency contracts	108,618	-	-	-	-	-	-	-	-	-	-	-
<b>Total financial liabilities at fair value through profit or loss held for trading</b>	<b>108,618</b>											
<b>Other financial liabilities</b>												
Related party payables	116,666	24,850	107,914	1,666,193	52,272	42,303	134,744	123,130	44,975	14,685	1,055	
Outstanding settlements - Payable	2,192,696	740,880	-	152,012	-	155,146	599,622	764,963	-	602,946	-	
Other payables	-	-	1	-	-	-	37,914	20,086	56,254	-	-	
<b>Total other financial liabilities</b>	<b>2,309,362</b>	<b>765,730</b>	<b>107,915</b>	<b>1,818,205</b>	<b>52,272</b>	<b>197,449</b>	<b>772,280</b>	<b>908,179</b>	<b>101,229</b>	<b>617,631</b>	<b>1,055</b>	
<b>Total financial liabilities</b>	<b>2,417,980</b>	<b>765,730</b>	<b>107,915</b>	<b>1,818,205</b>	<b>52,272</b>	<b>197,449</b>	<b>772,280</b>	<b>908,179</b>	<b>101,229</b>	<b>617,631</b>	<b>1,055</b>	
<b>8. Reconciliation of profit to net cash (outflow)/inflow from operating activities</b>												
<b>Profit/(loss) attributable to unitholders</b>												
<b>Adjusted for:</b>												
Non-Cash Items												
Dividends	(147,196)	-	-	-	(201,808)	-	(81,237)	-	-	-	-	-
Withholding tax	(2,225)	-	-	-	(1,509)	-	-	-	-	-	-	-
Unrealised (gains)/losses on financial instruments at fair value through profit or loss	(2,303,213)	(1,756,592)	776,205	(5,117,041)	1,679,168	(1,612,133)	1,114,885	(5,703,569)	2,237,233	(839,225)	(16,821)	
Net foreign currency gains or losses on cash and cash equivalents	14,081	36,515	(770,252)	837,676	(107,592)	112,073	(188,049)	115,332	163,188	49,961	-	
Net change in cost on financial instruments at fair value through profit or loss	(15,087,752)	(12,943,053)	(7,198,597)	(6,428,189)	(9,440,292)	(15,545,381)	(16,111,128)	(17,953,112)	(28,529,489)	(13,144,445)	(847,396)	
Net change in accrued income and receivables	(185,023)	(163,715)	104,334	(159,296)	(113,499)	(67,642)	(282,650)	(131,341)	(318)	(3,685)	(3,572)	
Net change in payables	94,925	13,764	(1,557,761)	380,368	8,528	(13,947)	11,532	(63,294)	29,871	15,104	1,055	
	(17,616,403)	(14,813,081)	(8,646,071)	(10,486,482)	(8,177,004)	(17,127,030)	(15,536,647)	(23,735,984)	(26,099,515)	(13,922,290)	(866,734)	
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(12,809,687)</b>	<b>(10,719,217)</b>	<b>(6,181,535)</b>	<b>2,210,394</b>	<b>(6,275,703)</b>	<b>(12,659,208)</b>	<b>(7,406,676)</b>	<b>(8,559,352)</b>	<b>(28,631,887)</b>	<b>(13,197,733)</b>	<b>(846,321)</b>	



## 9. Derivative financial instruments

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

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

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

- (i) economic hedging to protect assets or liabilities of the Funds against a fluctuation in market values or to reduce volatility;
- (ii) a substitution for trading of physical securities; and
- (iii) adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash positions.

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

The Funds may hold the following derivative instruments:

### Forward currency contracts

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

The Funds' foreign currency contracts at period end are detailed below:

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Notional value in NZ\$	16,951,563	11,992,160	10,175,010	10,852,038	-	-	-	-	19,108,112	6,961,589	-	-
Fair Value in NZ\$	17,149	279,928	309,741	209,311	-	-	-	-	470,545	111,822	-	-

## 10. Financial risk management

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

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

### (a) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Funds. The Funds are primarily exposed to credit risk through their receivables and cash and cash equivalents. The Devon Diversified Income Fund is indirectly exposed to credit risk through its investment in Devon Dividend Yield Fund. The maximum credit risk of financial instruments is considered to be the fair value. The Trustee regularly reviews and approves an investment strategy that is implemented by the Manager. With respect to forward currency contracts, the Trust's credit risk is managed by limiting the counterparties to a group of international banks and the Trust does not expect to incur any losses as a result of non-performance by these counterparties.

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Portfolio by rating category												
AA+ to AA-	-	-	28,283,000	-	-	-	-	-	-	-	908,174	-
A+ to A-	4,665,460	3,133,073	10,507,542	49,868,964	1,502,655	1,526,270	6,787,877	6,583,585	1,503,492	900,226	40,922	-
BBB+ to BBB-	-	-	-	-	-	-	-	-	-	-	42,110	-
Unrated	-	-	-	-	-	-	-	-	-	-	99,100	-
Total	4,665,460	3,133,073	38,790,542	49,868,964	1,502,655	1,526,270	6,787,877	6,583,585	1,503,492	900,226	1,090,306	-

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

10. Financial risk management (continued)

(b) Liquidity risk

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

Liquidity management is designed to ensure that the Funds have the ability to generate sufficient cash in a timely manner to meet their financial commitments and normal level of redemptions. Liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of to enable them to meet liabilities as they fall due and unit redemptions when requested. In the event of abnormal levels of redemptions, timing of payment may be dependent on the ability of the Fund to realise its underlying investments on a timely basis. The Funds may periodically invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, a Fund may not be able to liquidate its holdings in these investments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issue. At 31 March 2016, the Funds hold no investments that are considered illiquid (March 2015:nil).

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

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

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Less than 7 days												
Outstanding settlements payable	2,192,696	740,880	-	152,012	-	155,146	599,622	764,963	-	602,946	-	-
Other payables	-	-	-	-	-	-	37,914	20,086	56,254	-	-	-
	<u>2,192,696</u>	<u>740,880</u>	<u>1</u>	<u>152,012</u>	<u>-</u>	<u>155,146</u>	<u>637,536</u>	<u>785,049</u>	<u>56,254</u>	<u>602,946</u>	<u>-</u>	<u>-</u>
7 days to 1 month												
Forward contracts - Liabilities	108,618	-	-	-	-	-	-	-	-	-	-	-
Related party payables	116,666	24,850	107,914	1,666,193	52,272	42,303	134,744	123,130	44,975	14,685	1,055	1,055
	<u>225,284</u>	<u>24,850</u>	<u>107,914</u>	<u>1,666,193</u>	<u>52,272</u>	<u>42,303</u>	<u>134,744</u>	<u>123,130</u>	<u>44,975</u>	<u>14,685</u>	<u>1,055</u>	<u>1,055</u>

10. Financial risk management (continued)

(c) Currency risk

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

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

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

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Australia (AUD)</b>												
<i>Monetary instruments including cash and cash equivalents and forward currency contracts</i>	(17,087,754)	(10,121,865)	180,322	(447,985)	1,637,197	1,829,607	5,986,977	1,526,935	-	-	-	-
<i>Non-monetary assets including listed equities</i>	16,790,437	10,252,215	23,706,659	25,263,971	40,602,364	32,713,480	53,252,091	57,678,504	-	-	-	-
<b>United States (USD)</b>												
<i>Monetary instruments including cash and cash equivalents and forward currency contracts</i>	-	-	35,134	-	28,237	19,591	34,987	39,337	(15,769,517)	(5,966,618)	-	-
<i>Non-monetary assets including listed equities</i>	-	-	-	-	-	-	-	-	34,950,791	12,374,014	-	-
<b>Great Britain (GBP)</b>												
<i>Monetary instruments including cash and cash equivalents and forward currency contracts</i>	-	-	-	-	-	-	-	-	(1,260,240)	(378,709)	-	-
<i>Non-monetary assets including listed equities</i>	-	-	-	-	-	-	-	-	2,058,639	722,668	-	-
<b>Europe (EUR)</b>												
<i>Monetary instruments including cash and cash equivalents and forward currency contracts</i>	-	-	-	-	-	-	-	-	(1,607,812)	(1,007,386)	-	-
<i>Non-monetary assets including listed equities</i>	-	-	-	-	-	-	-	-	2,796,370	1,378,112	-	-



# 10. Financial risk management (continued)

## (c) Currency risk (continued)

The following table summarises the sensitivity of the Funds' monetary financial instruments as well as non monetary instruments to changes in foreign exchange movements at 31 March 2016. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 10% to the New Zealand dollar, with all other variables held constant. This sensitivity reflects the increase or decrease in operating profit and Net Assets Attributable to Unitholders of the Funds' at balance date.

The notional impact on PIE tax (which affects Net Assets Attributable to Unitholders) has not been calculated. The Directors believe this does not have a material impact.

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Monetary instruments</i>												
Exchange rates increased by 10%	1,553,432	920,170	(19,587)	40,726	(151,403)	(168,109)	(547,451)	(142,388)	1,694,324	668,428	-	-
Exchange rates decreased by 10%	(1,898,639)	(1,124,652)	23,940	(49,776)	185,048	205,466	669,107	174,030	(2,070,841)	(816,968)	-	-
<i>Non-monetary assets</i>												
Exchange rates increase by 10%	(1,526,403)	(932,020)	(2,155,151)	(2,296,725)	(3,691,124)	(2,973,953)	(4,841,099)	(5,243,500)	(3,618,709)	(1,315,890)	-	-
Exchange rates decreased by 10%	1,865,604	1,139,135	2,634,073	2,807,108	4,511,374	3,634,831	5,916,899	6,408,723	4,422,867	1,608,310	-	-

## (d) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Funds may hold cash and cash equivalents that expose the Funds to cash flow interest rate risk. The Devon Diversified Income Fund holds fixed interest securities that expose it to fair value interest rate risk and also has indirect exposure to cashflow interest rate risk as a result of its investment in the Dividend Yield Fund.

The table below summarises the sensitivity of the Funds' investments to changes in interest rate movements at 31 March. The analysis is based on the assumptions that the relevant interest rate increased/decreased by 1% (31 March 2015: 1%) with all other variables held constant. This represents management's best estimate of a reasonable shift in the interest rates, having regard to historical volatility of those rates. At 31 March 2016, had the interest rate increased or decreased by 1% with all other variables held constant, the increase or decrease in total comprehensive income would be as disclosed below.

The notional impact on PIE tax (which affects Net Assets Attributable to Unitholders) has not been calculated. The Directors do not believe that this has a material impact.

## Cash flow interest rate risk table

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Increased by 1%	46,655	31,331	387,905	498,690	15,027	15,263	67,879	65,836	15,035	9,002	6,683	9,002
Decreased by 1%	(46,655)	(31,331)	(387,905)	(498,690)	(15,027)	(15,263)	(67,879)	(65,836)	(15,035)	(9,002)	(6,683)	(9,002)

## Fair value interest rate risk table

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Increased by 1%	-	-	-	-	-	-	-	-	-	-	(15,509)	-
Decreased by 1%	-	-	-	-	-	-	-	-	-	-	16,481	-

## (e) Price risk

The Funds are exposed to securities' price risk. This arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments, i.e. equities - are denominated in currencies other than the New Zealand dollar (NZD), the price initially expressed in foreign currency and then converted into NZD will also fluctuate because of change in foreign exchange rates. Paragraph (c) 'Currency risk' sets out how this component of price risk is managed and measured. The Devon Diversified Income Fund also has exposure to unlisted unit trusts price risk as a result of its investment in the Dividend Yield Fund.

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

The majority of the Funds' equity investments are publicly traded and are listed on the New Zealand and Australian Stock Exchanges, except Devon Global Themes Fund which holds equity investments publicly traded on global exchanges. The overall market position is monitored by the Funds' Manager. Compliance with the Funds' investment policies are reported to the Board of the Manager.

The table below summarises the sensitivity of the Funds' net assets attributable to Unitholders to equity securities' price movements, including the effect of movements in foreign currency exchange rates on equity securities' prices, as at 31 March.

The analysis is based on a price move of 10% which represents managements best estimate of a reasonable shift in prices having regard to historical volatility.

If the prices of equity securities in which the Funds' invest in at 31 March 2016 had increased or decreased by 10% with all other variables held constant, this would have increased/decreased total comprehensive income as disclosed below.

The notional impact on PIE tax (which affects Net Assets Attributable to Unitholders) has not been calculated. The Directors do not believe that this has a material impact.



**Devon Funds**  
**Notes to the Financial Statements**  
**For the period ended 31 March 2016**

**10. Financial risk management (continued)**

**(e) Price risk (continued)**

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Increased by 10%	4,343,965	2,389,248	5,892,465	5,307,830	4,325,386	3,500,241	11,543,938	10,066,410	3,980,580	1,447,479	49,919	
Decreased by 10%	(4,343,965)	(2,389,248)	(5,892,465)	(5,307,830)	(4,325,386)	(3,500,241)	(11,543,938)	(10,066,410)	(3,980,580)	(1,447,479)	(49,919)	

**(f) Fair value estimation**

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

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

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

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

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

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market. The following table analyses within the fair value hierarchy the Funds' financial assets and liabilities (by class) measured at fair value at 31 March 2016:

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>												
<b>Level 1</b>												
Financial assets at fair value through profit or loss:												
Listed equities	43,439,650	23,892,477	58,924,645	53,078,300	43,253,858	35,002,413	115,439,384	100,664,102	39,805,800	14,474,794	-	-
<b>Total financial assets at fair value through profit or loss:</b>	<b>43,439,650</b>	<b>23,892,477</b>	<b>58,924,645</b>	<b>53,078,300</b>	<b>43,253,858</b>	<b>35,002,413</b>	<b>115,439,384</b>	<b>100,664,102</b>	<b>39,805,800</b>	<b>14,474,794</b>	<b>-</b>	<b>-</b>
<b>Level 2</b>												
Financial assets at fair value through profit or loss:												
Unlisted unit trusts	-	-	-	-	-	-	-	-	-	-	354,833	-
Debt securities	-	-	-	-	-	-	-	-	-	-	509,384	-
Forward currency contracts	125,767	279,928	309,741	209,311	-	-	-	-	470,545	111,822	-	-
<b>Total financial assets at fair value through profit or loss:</b>	<b>125,767</b>	<b>279,928</b>	<b>309,741</b>	<b>209,311</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>470,545</b>	<b>111,822</b>	<b>864,217</b>	<b>-</b>
<b>Liabilities</b>												
<b>Level 2</b>												
Financial liabilities at fair value through profit or loss:												
Forward currency contracts	(108,618)	-	-	-	-	-	-	-	-	-	-	-
<b>Total financial liabilities at fair value through profit or loss:</b>	<b>(108,618)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed equities and listed trusts. The Funds do not adjust the quoted price for these instruments. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs are classified as Level 2. These include unlisted unit trusts, debt securities and forward currency contracts.

There have been no transfers between level 1, level 2 and level 3.

10. Financial risk management (continued)  
(g) Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 March 2016, Devon Dividend Yield Fund and Devon Alpha Fund were subject to ISDA arrangement with the following derivative counterparties: Westpac Banking Corporation and Commonwealth Bank of Australia (31 March 2015 : Devon Dividend Yield Fund and Devon Alpha Fund with Westpac Banking Corporation and Commonwealth Bank of Australia) and Devon Global Themes Fund was subject to ISDA arrangement with BNZ. According to the terms of the ISDA arrangement with the respective counterparties all the derivatives are settled net.

Each party has the option to settle all open contracts on a net basis in the event of default by the other party. Per the terms of the ISDA agreement, an event of default includes the following:

- failure by a party to make a payment when due
- failure by a party to perform an obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after such notice of such failure is given to the party;
- bankruptcy

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross amounts of recognised financial assets	125,767	279,928	309,741	209,311	-	-	-	-	470,545	111,822	-	-
Gross amounts of recognised financial liabilities set-off in the statement of financial position	-	-	-	-	-	-	-	-	-	-	-	-
Net amounts of financial assets presented in the statement of financial position	125,767	279,928	309,741	209,311	-	-	-	-	470,545	111,822	-	-
Related amounts not set-off in the statement of financial position	-	-	-	-	-	-	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Cash collateral	-	-	-	-	-	-	-	-	-	-	-	-
Net Amount	125,767	279,928	309,741	209,311	-	-	-	-	470,545	111,822	-	-
Financial liabilities subject to offsetting, ISDA arrangements and similar agreements	-	-	-	-	-	-	-	-	-	-	-	-
Derivative liabilities	108,618	-	-	-	-	-	-	-	-	-	-	-
Gross amounts of recognised financial liabilities	108,618	-	-	-	-	-	-	-	-	-	-	-
Gross amounts of recognised financial assets set-off in the statement of financial position	-	-	-	-	-	-	-	-	-	-	-	-
Net amounts of financial liabilities presented in the statement of financial position	108,618	-	-	-	-	-	-	-	-	-	-	-
Related amounts not set-off in the statement of financial position	-	-	-	-	-	-	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Cash collateral	-	-	-	-	-	-	-	-	-	-	-	-
Net Amount	108,618	-	-	-	-	-	-	-	-	-	-	-

10. Financial risk management (continued)

(h) Capital management

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

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

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

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

(i) Fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the Balance Sheet are carried at amounts that represent or approximate fair value.

11. Distributions

The Manager has discretion as to whether to distribute any net income of each Fund. Income that is not distributed is invested as part of the assets of the Funds or may also be used to make later distributions to investors.

	Devon Dividend Yield Fund		Devon Alpha Fund		Devon Australian Fund		Devon Trans Tasman Fund		Devon Global Themes Fund		Devon Diversified Income Fund	
	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Period ended 31 March 2016	Period ended 31 March 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Distributions	1,634,358	729,466	2,829,330	2,028,634	1,513,252	1,035,748	4,195,186	3,287,238	-	-	-	-

The following distributions were made during the year:

12. Events occurring after the balance sheet date

No significant events have occurred since balance date which would impact on the financial position of the Funds disclosed in the Balance Sheet as at 31 March 2016 or on the results and cash flows of the Funds for the year ended on that date.

