

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Annual report

For the year ended 30 June 2017

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Independent auditor's report to the unit holders of Atlantic Pacific Australian Equity Fund

This annual report covers Atlantic Pacific Australian Equity Fund as an individual entity.

The Responsible Entity of Atlantic Pacific Australian Equity Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 1, 575 Bourke Street,
Melbourne, Victoria 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Atlantic Pacific Australian Equity Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2017.

Principal activities

The Fund's primary emphasis is to invest in a diversified portfolio of small to large cap Australian listed securities, and securities in respect of which listing has been proposed. Cash, cash equivalents, convertible notes and derivatives may also be included.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The various service providers for the Fund are detailed below:

| Service | Provider |
|-----------------------------|--------------------------------|
| Responsible Entity | Equity Trustees Limited |
| Investment Manager | APSEC Funds Management Pty Ltd |
| Administrator and Custodian | FundBPO Pty Ltd |
| Prime Broker | Interactive Brokers LLC |
| Statutory Auditor | PricewaterhouseCoopers |

Equity Trustees Limited was appointed as Responsible Entity on 8 September 2016, following the retirement of One Managed Investment Funds Limited who acted as Responsible Entity from 1 July 2016 to 8 September 2016.

On 8 September 2016, Unity Funds Services Pty Limited retired as the Administrator and One Managed Investments Funds Limited retired as Custodian of the Fund. FundBPO Pty Ltd was appointed as the new Administrator and Custodian of the Fund on the same date.

Directors

The following persons held office as directors of One Managed Investment Funds Limited from 1 July 2016 to 8 September 2016:

| | |
|-----------------|--|
| Frank Tearle | Executive Director and Company Secretary |
| Justin Epstein | Executive Director |
| Elizabeth Reddy | Non-executive Director |
| Sarah Wiesener | Company Secretary |

The following persons held office as directors of Equity Trustees Limited from 8 September 2016 and up to the date of this report:

| | |
|-------------------|------------------------------|
| Philip D Gentry | Chairman |
| Harvey H Kalman | |
| Martin G Walsh | (resigned 9 June 2017) |
| Geoffory R Rimmer | (resigned 4 October 2016) |
| Ian C Westley | (appointed 12 December 2016) |

Review and results of operations

During the year, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was 2.0% (net of fees) for the year ended 30 June 2017. The Fund's Benchmark, the S&P/ASX 200 Accumulation Index, returned 14.1% for the same period.

Directors' report (continued)

Review and results of operations (continued)

The performance of the Fund, as represented by the results of its operations, was as follows:

| | Year ended | |
|---|-----------------|-----------------|
| | 30 June 2017 | 30 June 2016 |
| Operating profit before finance costs attributable to unit holders (\$'000) | 451 | 1,700 |
| Distributions paid and payable (\$'000) | 1,445 | 892 |
| Distributions (cents per unit) | 9.23 | 5.00 |

Significant changes in state of affairs

On 20 September 2016, the Fund changed its investment strategy to include short selling of Australian equity securities.

Geoffory R Rimmer resigned as a director of Equity Trustees Limited on 4 October 2016.

Ian C Westley was appointed as a director of Equity Trustees Limited on 12 December 2016.

Martin G Walsh resigned as a director of Equity Trustees Limited on 9 June 2017.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may have a significant effect on:

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

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnification of auditor

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Directors' report (continued)

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 15 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 15 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

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

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



Philip D Gentry
Chairman

Melbourne
12 September 2017



Auditor's Independence Declaration

As lead auditor for the audit of Atlantic Pacific Australian Equity Fund for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is written over a faint, illegible printed name.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
12 September 2017

Atlantic Pacific Australian Equity Fund
Statement of comprehensive income
For the year ended 30 June 2017

Statement of comprehensive income

| | | Year ended | |
|---|------|---------------------|---------------------|
| | | 30 June | 30 June |
| | | 2017 | 2016 |
| | | \$'000 | \$'000 |
| | Note | | |
| Investment income | | | |
| Interest income | | 57 | 89 |
| Dividend income | | 355 | 376 |
| Net gains/(loss) on financial instruments held at fair value through profit or loss | 5 | <u>1,128</u> | <u>1,962</u> |
| Total investment income/(loss) | | <u>1,540</u> | <u>2,427</u> |
| Expenses | | | |
| Management fees | 17 | 360 | 376 |
| Performance fees | 17 | - | 209 |
| Custody and administration fees | | 75 | - |
| Other expenses | 16 | <u>654</u> | <u>142</u> |
| Total expenses | | <u>1,089</u> | <u>727</u> |
| Operating profit/(loss) | | <u>451</u> | <u>1,700</u> |
| Finance costs attributable to unit holders | | | |
| Distributions to unit holders | 10 | (1,445) | (914) |
| Decrease/(increase) in net assets attributable to unit holders | 9 | <u>994</u> | <u>(786)</u> |
| Profit/(loss) for the year | | <u>-</u> | <u>-</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | <u>-</u> | <u>-</u> |

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

Atlantic Pacific Australian Equity Fund
Statement of financial position
As at 30 June 2017

Statement of financial position

| | | As at | |
|--|------|-----------------|-----------------|
| | | 30 June 2017 | 30 June 2016 |
| | Note | \$'000 | \$'000 |
| Assets | | | |
| Cash and cash equivalents | 11 | 17,724 | 14,365 |
| Due from brokers - receivable for securities sold | | 1,118 | 3 |
| Receivables | 13 | 74 | 91 |
| Financial assets held at fair value through profit or loss | 6 | 7,486 | 11,453 |
| Total assets | | 26,402 | 25,912 |
| Liabilities | | | |
| Distribution payable | 10 | 1,445 | 892 |
| Payables | 14 | 34 | 526 |
| Due to brokers - payable for securities purchased | | 5,856 | 1,154 |
| Financial liabilities held at fair value through profit or loss | 7 | 116 | - |
| Total liabilities (excluding net assets attributable to unit holders) | | 7,451 | 2,572 |
| Net assets attributable to unit holders – liability | 9 | 18,951 | 23,340 |

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

Atlantic Pacific Australian Equity Fund
Statement of changes in equity
For the year ended 30 June 2017

Statement of changes in equity

| | Year ended | |
|--|---------------------------|---------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Total equity at the beginning of the financial year | | |
| Profit/(loss) for the year | - | - |
| Other comprehensive income | - | - |
| Total comprehensive income | <u>-</u> | <u>-</u> |
| Transactions with owners in their capacity as owners | | |
| Total equity at the end of the financial year | <u>-</u> | <u>-</u> |

Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Atlantic Pacific Australian Equity Fund
Statement of cash flows
For the year ended 30 June 2017

Statement of cash flows

| | | Year ended | |
|---|---|----------------|---------------|
| | | 30 June | 30 June |
| | | 2017 | 2016 |
| Note | | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| | Proceeds from sale of financial instruments held at fair value through profit or loss | 52,117 | 113,446 |
| | Purchase of financial instruments held at fair value through profit or loss | (43,319) | (111,718) |
| | Interest income received | 63 | 80 |
| | Dividends received | 373 | 416 |
| | Other income received | 38 | - |
| | Management fees paid | (453) | (323) |
| | Performance fees paid | - | (209) |
| | Custody and administration fees paid | (75) | - |
| | Other expenses paid | (699) | (132) |
| | Net cash inflow/(outflow) from operating activities | 8,045 | 1,560 |
| | Cash flows from financing activities | | |
| | Proceeds from applications by unit holders | 3,767 | 11,101 |
| | Payments for redemptions by unit holders | (8,290) | (1,670) |
| | Distributions paid to unit holders | (163) | (175) |
| | Net cash inflow/(outflow) from financing activities | (4,686) | 9,256 |
| | Net increase/(decrease) in cash and cash equivalents | 3,359 | 10,816 |
| | Cash and cash equivalents at the beginning of the year | 14,365 | 3,549 |
| | Cash and cash equivalents at the end of the year | 17,724 | 14,365 |
| | Non-cash operating and financing activities | 729 | 331 |

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

Notes to the financial statements

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1 General information

These financial statements cover Atlantic Pacific Australian Equity Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 1 May 2012 and will terminate in accordance with the Fund's Constitution or by law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund's primary emphasis is to invest in a diversified portfolio of small to large cap Australian listed securities, and securities in respect of which listing has been proposed. Cash, cash equivalents, convertible notes and derivatives may also be included.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Fund

The amendments to AASB 107 *Statement of Cash Flows* have been early adopted. The Fund has elected to adopt the amendments made by AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* early. This amendment requires disclosure of changes in liabilities arising from financing activities. The relevant information is provided in Note 9.

There are no other new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2016 that have a material impact on the Fund.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition, classification and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Fund. The Fund has not yet decided when to adopt AASB 9.

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

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements. The Fund has not yet decided when to adopt AASB 15.

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

(b) Financial instruments

(i) Classification

The Fund's investments are classified as held at fair value through profit or loss. They comprise of:

- Financial instruments held for trading

These are investments in derivative financial instruments such as futures and options. The Fund does not designate any derivatives as hedges in a hedging relationship.

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

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed equity securities.

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

(ii) Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

- Financial instruments held at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. This also includes dividend expenses on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has 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.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(c) Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Fund's Constitution.

The units can be put back to the Fund at any time for cash based on the redemption price.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

(d) Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Fund's main income generating activity.

(e) Margin Accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

(f) Investment income

(i) Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis. Interest income on financial assets held at fair value through profit or loss is recognised using the effective interest method. Changes in fair value of financial instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(ii) Dividends

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

2 Summary of significant accounting policies (continued)

(g) Expenses

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

(h) Income tax

Under current legislation, the Fund is not subject to income tax as unit holders are presently entitled to the income of the Fund. The benefits of any imputation credits and foreign tax paid are passed on to unit holders.

(i) Distributions

The Fund distributes its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

(j) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

(k) Foreign currency translation

(i) Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(l) Due from/to brokers

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

(m) Receivables

Receivables may include amounts for interest and dividends. Dividends are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(n) Payables

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

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

(o) Applications and redemptions

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

2 Summary of significant accounting policies (continued)

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) Use of estimates

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

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

For more information on how fair value is calculated refer to Note 4 to the financial statements.

(r) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

(s) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity securities and unit trusts is limited to the fair value of those positions. The maximum loss of capital on long futures and forward currency contracts is limited to the notional contract values of those positions. On equities sold short, the maximum loss of capital can be unlimited.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, APSEC Funds Management Pty Ltd ("APSEC") under an Investment Management Agreement (IMA) that contains the investment strategy and guidelines of the Fund consistent with those stated in the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Fund for which prices in the future are uncertain.

APSEC seeks to mitigate price risk by ensuring that the Fund is managed in line with IMA, including a restriction on the maximum holding as a percentage of the overall Fund of any single security (which is 10%). APSEC monitors the portfolio on a daily basis to ensure compliance with IMA requirements.

The Fund also actively maintains a high level of diversification in its holdings, thus potentially reducing the amount of risk in the Fund. The Investment Manager's process seeks to exploit the inefficient pricing of securities of similar companies. Its investment process aims to construct a portfolio intended to have the maximum potential to outperform while minimizing risk.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests moves by +/-10% (2016: +/-10%).

(ii) Interest rate risk

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible, thus limiting the exposure of the Fund to interest rate risk.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

| | Impact on operating profit/net assets attributable to unit holders | |
|---------------------------|---|---------------|
| | Price risk | |
| | -10% | +10% |
| | \$'000 | \$'000 |
| As at 30 June 2017 | (749) | 749 |
| As at 30 June 2016 | (1,145) | 1,145 |

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

3 Financial risk management (continued)

(d) Liquidity risk

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests.

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.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during 2017 and 2016.

(i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holder's option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

| | Less than 1 month \$'000 | 1-6 months \$'000 | 6-12 months \$'000 | 1-2 years \$'000 | Total \$'000 |
|---|-----------------------------------|-------------------------|--------------------------|------------------------|-----------------|
| As at 30 June 2017 | | | | | |
| Distribution payable | 1,445 | - | - | - | 1,445 |
| Payables | - | 34 | - | - | 34 |
| Due to brokers - payable for securities purchased | 5,856 | - | - | - | 5,856 |
| Net assets attributable to unit holders – liability | 18,951 | - | - | - | 18,951 |
| Contractual cash flows (excluding derivatives) | 26,252 | 34 | - | - | 26,286 |
| As at 30 June 2016 | | | | | |
| Distribution payable | 892 | - | - | - | 892 |
| Payables | - | 526 | - | - | 526 |
| Due to brokers - payable for securities purchased | 1,154 | - | - | - | 1,154 |
| Net assets attributable to unit holders – liability | 23,340 | - | - | - | 23,340 |
| Contractual cash flows (excluding derivatives) | 25,386 | 526 | - | - | 25,912 |

4 Fair value measurement

The Fund measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

4 Fair value measurement (continued)

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price.

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

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2017 and 30 June 2016.

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| As at 30 June 2017 | | | | |
| Financial assets | | | | |
| Financial assets designated at fair value through profit or loss: | | | | |
| Listed equity securities | 7,486 | - | - | 7,486 |
| Total financial assets | 7,486 | - | - | 7,486 |
| Financial liabilities | | | | |
| Financial liabilities designated at fair value through profit or loss: | | | | |
| Derivatives | 116 | - | - | 116 |
| Total financial liabilities | 116 | - | - | 116 |
| As at 30 June 2016 | | | | |
| Financial assets | | | | |
| Financial assets designated at fair value through profit or loss: | | | | |
| Listed equity securities | 11,336 | - | - | 11,336 |
| Derivatives | 117 | - | - | 117 |
| Total financial assets | 11,453 | - | - | 11,453 |

(c) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(d) Financial instruments not carried at fair value

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

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

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

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

| | Year ended | |
|--|---------------------------|---------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Financial assets | | |
| Net gain/(loss) on financial assets held for trading | - | - |
| Net gain/(loss) on financial assets designated as at fair value through profit or loss | 1,128 | 1,962 |
| Net gains/(losses) on financial assets held at fair value through profit or loss | 1,128 | 1,962 |
| Net realised gain/(loss) on financial assets at fair value through profit or loss | 1,812 | 811 |
| Net unrealised gain/(loss) on financial assets at fair value through profit or loss | (684) | 1,151 |
| Net gains/(losses) on financial assets held at fair value through profit or loss | 1,128 | 1,962 |
| Total net gains/(losses) on financial instruments held at fair value through profit or loss | 1,128 | 1,962 |

6 Financial assets held at fair value through profit or loss

| | As at | |
|---|---------------------------|---------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Designated at fair value through profit or loss | | |
| Listed equity securities | 7,486 | 11,336 |
| Derivatives | - | 117 |
| Total designated at fair value through profit or loss | 7,486 | 11,453 |
| Total financial assets held at fair value through profit or loss | 7,486 | 11,453 |

7 Financial liabilities held at fair value through profit or loss

| | As at | |
|--|---------------------------|---------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Designated at fair value through profit or loss | | |
| Derivatives | 116 | - |
| Total designated at fair value through profit or loss | 116 | - |
| Total financial liabilities held at fair value through profit or loss | 116 | - |

8 Derivative financial instruments

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

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

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

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

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

The Fund holds the following derivative:

Futures

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

The Fund's derivative financial instruments at year end are detailed below:

| | Contractual/ notional \$'000 | Assets \$'000 | Liabilities \$'000 |
|---------------------------|---|--------------------------|-------------------------------|
| As at 30 June 2017 | | | |
| Futures | <u>9,295</u> | - | <u>116</u> |
| Total | <u>9,295</u> | - | <u>116</u> |

As at 30 June 2016

| | | | |
|---------|--------------|-----|---|
| Futures | <u>6,729</u> | 117 | - |
| Total | <u>6,729</u> | 117 | - |

Information about the Fund's exposure to credit risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

9 Net assets attributable to unit holders

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

| | Year ended | | Year ended | |
|--|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | 30 June 2017 Units '000 | 30 June 2017 \$'000 | 30 June 2016 Units '000 | 30 June 2016 \$'000 |
| Opening balance | 18,279 | 23,340 | 10,897 | 13,085 |
| Applications | 2,914 | 3,767 | 8,609 | 11,101 |
| Redemptions | (6,102) | (7,891) | (1,503) | (1,963) |
| Reinvestment of distributions | 570 | 729 | 276 | 331 |
| Increase/(decrease) in net assets attributable to unit holders | - | (994) | - | 786 |
| Closing balance | 15,661 | 18,951 | 18,279 | 23,340 |

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders.

10 Distributions to unit holders

The distributions declared during the year were as follows:

| | Year ended | | Year ended | |
|----------------------------|---------------------------|------------------------|---------------------------|------------------------|
| | 30 June 2017 \$'000 | 30 June 2017 CPU | 30 June 2016 \$'000 | 30 June 2016 CPU |
| Distributions | | | | |
| June (payable) | 1,445 | 9.23 | 892 | 5.00 |
| Total distributions | 1,445 | 9.23 | 892 | 5.00 |

11 Cash and cash equivalents

| | As at | |
|--|---------------------------|---------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Cash at bank | 17,724 | 14,365 |
| Total cash and cash equivalents | 17,724 | 14,365 |

These accounts are earning a floating interest rate of between 0.00% and 0.15% as at 30 June 2017 (30 June 2016: 0.01% to 1.60%).

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

| | Year ended | |
|---|--------------|--------------|
| | 30 June | 30 June |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | |
| Profit/(loss) for the year | - | - |
| Increase/(decrease) in net assets attributable to unit holders | (994) | 786 |
| Distributions to unit holders | 1,445 | 914 |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 52,117 | 113,446 |
| Purchase of financial instruments held at fair value through profit or loss | (43,319) | (111,718) |
| Net (gains)/losses on financial instruments held at fair value through profit or loss | (1,128) | (1,962) |
| Net change in receivables | 17 | 29 |
| Net change in payables | (93) | 65 |
| Net cash inflow/(outflow) from operating activities | 8,045 | 1,560 |
| (b) Non-cash operating and financing activities | | |
| The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan | 729 | 331 |
| Total non-cash operating and financing activities | 729 | 331 |

As described in Note 2(j), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

13 Receivables

| | As at | |
|--------------------------|-----------|-----------|
| | 30 June | 30 June |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Interest receivable | 5 | 11 |
| Dividends receivable | - | 18 |
| Other income receivable | 12 | 50 |
| GST receivable | 57 | 12 |
| Total receivables | 74 | 91 |

14 Payables

| | As at | |
|-------------------------|-----------|------------|
| | 30 June | 30 June |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Management fees payable | 34 | 127 |
| Redemptions payable | - | 399 |
| Total payables | 34 | 526 |

15 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

| | Year ended | |
|---|-----------------|-----------------|
| | 30 June 2017 | 30 June 2016 |
| | \$ | \$ |
| PricewaterhouseCoopers Australian Firm | | |
| <i>Audit and other assurance services</i> | | |
| Audit and review of financial statements | 16,500 | 10,098 |
| Audit of compliance plan | 5,000 | 2,244 |
| Other assurance services | 4,500 | - |
| Total remuneration for audit and other assurance services | 26,000 | 12,342 |
| <i>Taxation services</i> | | |
| Tax compliance services | 10,535 | - |
| Total remuneration for taxation services | 10,535 | - |
| Total remuneration of PricewaterhouseCoopers Australian Firm | 36,535 | 12,342 |

The auditor's remuneration is borne by the Fund. Fees are stated net of GST.

16 Other expenses

| | Year ended | |
|---------------------------|-----------------|-----------------|
| | 30 June 2017 | 30 June 2016 |
| | \$'000 | \$'000 |
| Brokerage | 532 | - |
| Audit fees | 29 | - |
| Recoverable fees | 34 | - |
| Other expenses | 13 | 46 |
| Legal & professional fees | 46 | - |
| | 654 | 46 |

17 Related party transactions

The Responsible Entity of Atlantic Pacific Australian Equity Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to APSEC Funds Management Pty Ltd, to act as Investment Manager for the Fund, and FundBPO Pty Ltd to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

(a) Key management personnel

(i) Directors

The following persons held office as directors of One Managed Investment Funds Limited from 1 July 2016 to 8 September 2016:

| | |
|-----------------|--|
| Frank Tearle | Executive Director and Company Secretary |
| Justin Epstein | Executive Director |
| Elizabeth Reddy | Non-executive Director |
| Sarah Wiesener | Company Secretary |

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of

| | |
|-------------------|------------------------------|
| Philip D Gentry | Chairman |
| Harvey H Kalman | |
| Martin G Walsh | (resigned 9 June 2017) |
| Geoffory R Rimmer | (resigned 4 October 2016) |
| Ian C Westley | (appointed 12 December 2016) |

(ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2017 (30 June 2016: Nil).

(d) Key management personnel compensation

Key management personnel are paid by Equity Trustees Limited. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

(f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving management personnel's interests existing at year end.

17 Related party transactions (continued)

(g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager is entitled to receive management fees.

The Investment Manager is entitled to performance fees.

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

| | Year ended | |
|---|-----------------|-----------------|
| | 30 June 2017 | 30 June 2016 |
| | \$ | \$ |
| Investment management fees for the year | 279,012 | 376,018 |
| Performance fees for the year | - | 209,266 |
| Total fees payable to the Investment Manager at year end | 34,336 | 127,384 |
| Responsible Entity fees paid to One Managed Investment Funds Limited for the year | 16,160 | - |
| Responsible Entity fees paid to Equity Trustees Limited for the year | 65,138 | - |
| Total fees payable to the Responsible Entity at year end | - | - |

For information on how management and performance fees are calculated please refer to the Fund's Product Disclosure Statement.

(h) Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held units in the Fund, as follows:

| Unit holder | Number of units held opening | Number of units held closing | Fair value of investment \$'000 | Interest held (%) | Number of units acquired | Number of units disposed | Distributions paid/payable by the Fund \$'000 |
|---------------------------|------------------------------------|------------------------------------|---------------------------------------|----------------------|--------------------------------|--------------------------------|--|
| As at 30 June 2017 | | | | | | | |
| George Paxton | 29,055 | 30,192 | 39,310 | 0.19% | - | - | 2,786 |
| As at 30 June 2016 | | | | | | | |
| George Paxton | 28,017 | 29,055 | 37,100 | 0.16% | 1,037 | - | 1,452 |

(i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2016: Nil).

18 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2017 or on the results and cash flows of the Fund for the year ended on that date.

19 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2017 and 30 June 2016.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 25 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited.



Philip D Gentry
Chairman

Melbourne
12 September 2017



Independent auditor's report

To the unitholders of Atlantic Pacific Australian Equity Fund

Our opinion

In our opinion:

The accompanying financial report of Atlantic Pacific Australian Equity Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the directors of Equity Trustees Limited (the Responsible Entity).

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Other information

The Directors of the Responsible Entity are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' report included in the annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'George Sagonas'.

George Sagonas
Partner

Melbourne
12 September 2017