

**Kaplan Master Trust - Income Fund**  
**Annual financial statements**  
**for the year ended 30 June 2021**

# Kaplan Master Trust - Income Fund

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for the year ended 30 June 2021

## Contents

	Page
Directors' report	1
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7
Trustee statement	26
Independent auditor's report to the unitholders of Kaplan Master Trust - Income Fund	27

## Directors' report

The directors of Kaplan Funds Management Pty Limited, the Manager of the Kaplan Master Trust - Income Fund (the "Fund"), hereby present their report together with the financial statements of the Fund for the financial year ended 30 June 2021.

The Trustee of the Fund is The Trust Company Limited (the "Trustee"). The Manager of the Fund is Kaplan Funds Management Pty Limited (the "Manager"). Both entities have been in their roles since the establishment of the Fund on 8 May 1998, as a wholesale unregistered trust.

### Principal activities

The overall investment strategy of the Fund is to achieve above average returns by taking investment and trading positions in various securities as determined by the Manager and in accordance with the Information Memorandum.

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

### Directors

The following persons held office as directors of Kaplan Funds Management Pty Limited during the financial year or since the end of the financial year and up to the date of this report:

Sam Kaplan  
John Gerahty  
Doug Hew  
Gilles Kryger

### Review and results of operations

There have been no significant changes to the operations of the Fund since the previous financial period. The Fund continued to invest funds in accordance with the Trust Deed and within target asset allocations determined by the Manager.

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

	Year ended	
	30 June 2021	30 June 2020
Profit/(loss) before finance costs attributable to unitholders (\$)	<u>1,690,267</u>	<u>(1,329,496)</u>
Distributions paid and payable (\$)	438,543	592,237
Distributions (cents per unit - CPU)	2.21	2.89

### Significant changes in state of affairs

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

The Manager and Trustee continue to assess the potential financial and other impacts of the coronavirus ("COVID-19") outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the period.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

### Matters subsequent to the end of the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

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

## **Directors' report (continued)**

### **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 governing documents of the Fund and in accordance with the provisions of the Trust Deed.

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.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Manager and Trustee believe it would be likely to result in unreasonable prejudice to the Fund.

### **Indemnity and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Kaplan Funds Management Pty Limited or the Trustee. So long as the officers of Kaplan Funds Management Pty Limited and the Trustee act in accordance with the Fund's Trust Deed and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### **Indemnity of auditors**

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### **Fees paid to and interests held in the Fund by the Trustee or its associates**

Fees paid to the Trustee and Manager out of Fund property during the financial year are disclosed in Note 15 of the financial statements.

No fees were paid out of Fund property to the directors of the Trustee during the financial year.

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

### **Interests in the Fund**

The movements in units on issue in the Fund during the financial year are disclosed in Note 6 of 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 of 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.

Environmental, social and governance (ESG) risks, including climate change, are recognised as risks in investment considerations in accordance with the Fund's Risk Management Framework.

Signed in accordance with a resolution of Kaplan Funds Management Pty Limited.



Doug Hew  
Director

Sydney  
30 September 2021

**Statement of comprehensive income**

	Notes	Year ended	
		30 June 2021	30 June 2020
		\$	\$
<b>Investment income</b>			
Interest income		44,053	55,784
Dividend income		310,112	338,946
Distributions income		313,166	400,638
Net gains/(losses) on financial instruments at fair value through profit or loss	3	1,348,300	(1,843,793)
Other operating income		<u>1,133</u>	<u>3,783</u>
<b>Total investment income/(loss)</b>		<b><u>2,016,764</u></b>	<b><u>(1,044,642)</u></b>
<b>Expenses</b>			
Management fees	15	181,065	190,288
Trustee's fees	15	11,776	10,116
Custody fees		47,535	46,987
Auditor's remunerations	4	16,257	16,968
Performance fees	15	40,542	(3,843)
Transaction costs		13,778	11,686
Other operating expenses	5	<u>15,544</u>	<u>12,652</u>
<b>Total expenses</b>		<b><u>326,497</u></b>	<b><u>284,854</u></b>
<b>Profit/(loss) before finance costs attributable to unitholders</b>		<b><u>1,690,267</u></b>	<b><u>(1,329,496)</u></b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	7	438,453	592,237
Increase/(decrease) in net assets attributable to unitholders	6	<u>1,251,814</u>	<u>(1,921,733)</u>
<b>Profit/(loss) for the financial year attributable to unitholders</b>		<b><u>-</u></b>	<b><u>-</u></b>
Other comprehensive income for the financial year attributable to unitholders		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the financial year attributable to unitholders</b>		<b><u>-</u></b>	<b><u>-</u></b>

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

**Statement of financial position**

		As at	
		30 June 2021	30 June 2020
	Notes	\$	\$
<b>Assets</b>			
Cash and cash equivalents	8	87,711	1,318,267
Due from brokers - receivable for securities sold		-	16,509
Receivables	10	138,756	118,737
Financial assets at fair value through profit or loss	9	<u>17,559,767</u>	<u>16,367,298</u>
<b>Total assets</b>		<u><b>17,786,234</b></u>	<u>17,820,811</u>
<b>Liabilities</b>			
Payables	12	85,340	43,179
Due to brokers - payable for securities purchased		-	141,480
Distribution payable	7	213,756	349,326
Financial liabilities at fair value through profit or loss	11	<u>221,348</u>	<u>171,039</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u><b>520,444</b></u>	<u>705,024</u>
<b>Net assets attributable to unitholders - liability</b>	6	<u><b>17,265,790</b></u>	<u>17,115,787</u>

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

**Statement of changes in equity**

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the financial year attributable to unitholders	-	-
Other comprehensive income for the financial year attributable to unitholders	-	-
Total comprehensive income for the financial year attributable to unitholders	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year</b>	-	-

In accordance with AASB 132 *Financial Instruments: Presentation*, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the financial year.

Changes in net assets attributable to unitholders are disclosed in Note 6.

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

**Statement of cash flows**

	Notes	Year ended	
		30 June 2021	30 June 2020
		\$	\$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		4,324,350	5,122,751
Purchase of financial instruments at fair value through profit or loss		(4,243,181)	(5,379,147)
Dividends received		290,874	354,815
Distributions received		315,278	417,635
Interest received		44,363	57,669
Other income received		1,133	3,783
Manager's fees paid		(177,425)	(191,826)
Trustee's fees paid		(11,836)	(7,662)
Performance fees paid		-	(276,658)
Payment of other expenses		(95,075)	(87,831)
Reduced input tax credit (paid)/received		<u>(3,203)</u>	<u>19,710</u>
<b>Net cash inflow from operating activities</b>	16(a)	<u><b>445,278</b></u>	<u><b>33,239</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		58,743	846,550
Payments for redemptions by unitholders		(1,397,830)	(558,633)
Distributions paid		<u>(336,747)</u>	<u>(434,631)</u>
<b>Net cash (outflow) from financing activities</b>		<u><b>(1,675,834)</b></u>	<u><b>(146,714)</b></u>
<b>Net (decrease) in cash and cash equivalents</b>			
		<b>(1,230,556)</b>	<b>(113,475)</b>
Cash and cash equivalents at the beginning of the financial year		<u>1,318,267</u>	<u>1,431,742</u>
<b>Cash and cash equivalents at the end of the financial year</b>	8,16(b)	<u><b>87,711</b></u>	<u><b>1,318,267</b></u>

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



## **1 General information**

These financial statements cover Kaplan Master Trust - Income Fund ("the Fund") as an individual entity. The Fund was established by a Trust Deed dated 8 May 1998. The term of the Fund is the earlier of 80 years from this date or an earlier date determined by The Trust Company Limited (the "Trustee") or Kaplan Funds Management Pty Limited (the "Manager").

The Trustee's registered office is Level 12, 123 Pitt Street, Sydney NSW 2000.

The financial statements are presented in the Australian currency.

The financial statements are for the period from 1 July 2020 to 30 June 2021 ("the reporting period").

The directors of the Kaplan Funds Management Pty Limited have the power to amend and reissue the financial statements. The financial statements were authorised for issue by the directors on 30 September 2021.

## **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, other authoritative pronouncements of the Australian Accounting Standards Board.

The Fund is a for-profit entity for the purposes 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 are not distinguished between current and non-current.

All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit or loss and net assets attributable to unitholders where the amount expected to be recovered or settled within twelve months after the end of the reporting period cannot be reliably determined.

#### *(i) Compliance with Australian Accounting Standards and International Financial Reporting Standards*

The financial statements of the Fund comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *(ii) New/Amended standards and interpretations adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

### **(b) Financial instruments**

#### *(i) Classification*

Classification and measurement of debt securities is driven by the Fund's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI).

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(i) Classification*

All other debt instruments must be recognised at fair value through profit or loss. A Fund may, however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

#### *Assets*

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Responsible Entity evaluates the information about these financial assets on a fair value basis together with other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving each Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

For other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

#### *Liabilities*

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

#### *(ii) Impairment*

AASB 9 requires the Fund to record an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss.

The ECL approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For receivables, due from brokers, margin accounts and applications receivable, the Fund has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Fund has established a provision matrix that is based on the Fund's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Fund considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund.

#### *(iii) Recognition/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 fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cashflows from the investments have expired or have been transferred and the Fund has transferred substantially all of the risks and rewards of ownership.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(iv) Measurement*

#### **Financial assets and liabilities at fair value through profit or loss**

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

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 financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the financial year 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 and the quoted market price for financial liabilities is the current ask price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in profit or loss to reflect a change in factors, including time, that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in Note 14.

#### *(v) Offsetting financial instruments*

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

### **(c) Net assets attributable to unitholders**

Units are redeemable at the unitholders option and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Fund 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 end of the financial year if unitholders exercised their right to put the units back to the Fund. Because the Fund's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference may exist and would be treated as a separate component of net assets attributable to unitholders.

### **(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, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

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 represent the Fund's main income generating activity.

## **2 Summary of significant accounting policies (continued)**

### **(e) Investment income**

Interest income and interest expense are recognised in the statement of comprehensive income for all financial instruments on an effective interest method basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

Dividend income is recognised on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities at fair value through the statement of comprehensive income arising on a change in fair value are calculated as the difference between the fair value at the end of the financial year and the fair value at the previous valuation point. Net gains/(losses) do not include interest of dividend/distribution income. Realised and unrealised gains/(losses) are shown in the Notes to the financial statements.

### **(f) Expenses**

All expenses, including management fees, trustee fees, custodian fees and other operating expenses are recognised in the statement of comprehensive income on an accruals basis.

### **(g) Income tax**

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

### **(h) Distributions**

In accordance with the Trust Deed the Fund distributes income adjusted for amounts determined by the Trustee, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### **(i) Increase/(decrease) in net assets attributable to unitholders**

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

### **(j) Foreign currency translation**

#### *(i) Functional and presentation currency*

Items 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 presentation currency of the Fund.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

## **2 Summary of significant accounting policies (continued)**

### **(j) Foreign currency translation (continued)**

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

### **(k) Due from/to brokers**

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the financial year. 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, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

### **(l) Receivables**

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each financial year from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

### **(m) Payables**

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

The distribution amount payable to unitholders as at the end of each financial year is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

### **(n) 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.

Unit redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue after deducting the allowance for transaction costs.

## 2 Summary of significant accounting policies (continued)

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

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts 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.

### (p) Use of judgments and estimates

The Fund makes estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. 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.

The Fund may from time to time hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Manager, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

### (q) New accounting standards and interpretations and other authoritative pronouncements

There are no new accounting standards and other authoritative pronouncements that are expected to have a material impact on the Fund.

### (r) Comparative information

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

## 3 Net gains on financial instruments at fair value through profit or loss

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

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
<b>Financial assets</b>		
Net gains/(losses) on financial assets at fair value through profit or loss	<u>1,585,131</u>	<u>(1,961,935)</u>
<b>Financial liabilities</b>		
Net (losses)/gains on financial liabilities at fair value through profit or loss	<u>(236,831)</u>	<u>118,142</u>
Net gains/(losses) on financial instruments at fair value through profit or loss	<u>1,348,300</u>	<u>(1,843,793)</u>

## 4 Auditor's remunerations

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

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Audit of financial statements	<u>16,257</u>	<u>16,968</u>

## 5 Other operating expenses

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Consulting fees	3,019	-
Registry fees	11,793	12,174
Other expenses	<u>732</u>	<u>478</u>
	<u><b>15,544</b></u>	<u><b>12,652</b></u>

## 6 Net assets attributable to unitholders

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

	Year ended			
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	No.	No.	\$	\$
<b>Net assets attributable to unitholders</b>				
Opening balance	<b>20,670,214</b>	20,140,635	<b>17,115,787</b>	18,598,932
Applications	<b>66,141</b>	953,597	<b>58,743</b>	846,550
Redemptions	<b>(1,586,120)</b>	(586,430)	<b>(1,397,830)</b>	(558,633)
Units issued upon reinvestment of distributions	<b>282,138</b>	162,412	<b>237,276</b>	150,671
Return of capital	-	-	<b>(237,533)</b>	(64,030)
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u><b>1,489,347</b></u>	<u>(1,857,703)</u>
Closing balance	<u><b>19,432,373</b></u>	<u>20,670,214</u>	<u><b>17,265,790</b></u>	<u>17,115,787</u>

As stipulated within the Trust Deed, 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.

## 7 Distribution to unitholders

The distributions were paid/payable as follows:

	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$	\$	CPU	CPU
Distribution paid	<b>224,697</b>	242,911	<b>1.11</b>	1.20
Distribution payable	<u><b>213,756</b></u>	<u>349,326</u>	<u><b>1.10</b></u>	<u>1.69</u>
	<u><b>438,453</b></u>	<u>592,237</u>	<u><b>2.21</b></u>	<u>2.89</u>

## 8 Cash and cash equivalents

	As at	
	30 June 2021	30 June 2020
	\$	\$
Cash at bank	76,881	309,049
Deposit account	<u>10,830</u>	<u>1,009,218</u>
	<u>87,711</u>	<u>1,318,267</u>

## 9 Financial assets at fair value through profit or loss

	As at	
	30 June 2021	30 June 2020
	\$	\$
<b>Financial assets at fair value through profit or loss</b>		
Listed equities	4,436,838	3,761,039
Listed infrastructure trusts	1,040,570	912,506
Listed property trusts	4,991,191	4,785,520
Preference shares - redeemable	6,011,166	5,872,342
Perpetual securities	391,460	358,800
Floating rate notes	<u>688,542</u>	<u>677,091</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>17,559,767</u>	<u>16,367,298</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 14.

## 10 Receivables

	As at	
	30 June 2021	30 June 2020
	\$	\$
Interest receivable	4,851	5,161
Dividends receivable	28,687	9,449
Distributions receivable	94,964	97,076
GST receivable	<u>10,254</u>	<u>7,051</u>
	<u>138,756</u>	<u>118,737</u>

## 11 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2021	30 June 2020
	\$	\$
<b>Financial liabilities at fair value through profit or loss</b>		
Options	<u>221,348</u>	<u>171,039</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u>221,348</u>	<u>171,039</u>

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in Note 14.



## 12 Payables

	As at	
	30 June 2021	30 June 2020
	\$	\$
Manager's fees payable	16,512	15,838
Trustee's fees payable	4,862	4,923
Custody fees payable	3,705	3,694
Audit fees payable	15,757	17,861
Performance fees payable	43,509	-
Other payables	995	863
	<b>85,340</b>	<b>43,179</b>

## 13 Derivative financial instruments

In the normal course of business, the Fund may enter into transactions in various derivative financial 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 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 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 or to reduce volatility
- a substitution for trading of physical securities
- 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 held the following derivative instruments during the year:

### Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.



## 14 Financial risk management (continued)

### (a) Credit risk (continued)

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties are approved;
- ensuring that transactions are undertaken with a number of counterparties; and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

There were no significant concentrations of credit risk to counterparties at 30 June 2021 or 30 June 2020.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the statement of financial position.

#### (i) Debt securities

The Fund invests in debt securities, some of which are unrated and some have an investment grade as rated by a well-known rating agency Standard and Poor's. An analysis of interest rate securities by rating is set out in the table below:

	<b>Not rated</b> \$
<b>At 30 June 2021</b>	
Perpetual securities	391,460
Floating rate notes	<u>688,542</u>
Total	<u>1,080,002</u>
At 30 June 2020	
Perpetual securities	358,800
Floating rate notes	<u>677,091</u>
Total	<u>1,035,891</u>

#### (ii) Derivative financial instruments

The Fund also restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on the net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements.

#### (iii) Settlement of securities transactions

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

#### (iv) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 (as determined by the Standard and Poor's) or higher.

In accordance with the Fund's policy, the Manager reviews the exposure to credit risk on a regular basis.

## **14 Financial risk management (continued)**

### **(a) Credit risk (continued)**

#### *(v) Other*

The Fund is not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

### **(b) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

#### *(i) Price risk*

Price risk is the risk that the Fund's investment will fluctuate as a result of changes in market prices.

The Fund invests mainly in publicly traded securities and its exposure to other price risk arises from fluctuation in the market prices of these securities.

The fund manager attempts to limit price risk through diversification, undertaking thorough research before investing and by limiting the maximum value of each investment in accordance with the information memorandum of the Fund.

The fund manager may also from time to time, write covered call options to protect the portfolio from negative price risk. No uncovered call option is written at any time.

The maximum price risk that might result from the Fund's investments is determined by their current market value.

The sensitivities of the Fund's investments to movement in the S&P ASX200 is summarised in (c) below. The analysis is based on the assumption that the S&P ASX200 moved by +/- 10% (2020: +/- 10%), with other variables held constant, and that the Fund's investments moved according to their historical correlation with the S&P ASX200.

#### *(ii) Cash flow and fair value interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to interest rate risk arose primarily from its investments in money market securities, listed debt securities and term deposits with banks. The Manager mitigates the Fund's interest rate risk by investing mainly in floating rate debt securities or debt securities with a term of 1 year or less.

## 14 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Cash flow and fair value interest rate risk (continued)

The Fund's exposure to interest rate risk is set out in the following table:

30 June 2021	Fixed interest rate				Non-interest bearing	Total
	Floating interest rate	1 year or less	1 to 5 years	Over 5 years		
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and cash equivalents	76,881	10,830	-	-	-	87,711
Receivables	-	-	-	-	138,756	138,756
Financial assets at fair value through profit or loss	<u>688,542</u>	<u>-</u>	<u>-</u>	<u>391,460</u>	<u>16,479,765</u>	<u>17,559,767</u>
<b>Total assets</b>	<b><u>765,423</u></b>	<b><u>10,830</u></b>	<b><u>-</u></b>	<b><u>391,460</u></b>	<b><u>16,618,521</u></b>	<b><u>17,786,234</u></b>
<b>Liabilities</b>						
Payables	-	-	-	-	85,340	85,340
Distributions payable	-	-	-	-	213,756	213,756
Financial liabilities at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,348</u>	<u>221,348</u>
<b>Total liabilities</b> (excluding net assets attributable to unitholders)	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>520,444</u></b>	<b><u>520,444</u></b>
<b>Net exposure</b>	<b><u>765,423</u></b>	<b><u>10,830</u></b>	<b><u>-</u></b>	<b><u>391,460</u></b>	<b><u>16,098,077</u></b>	<b><u>17,265,790</u></b>
30 June 2020	Fixed interest rate				Non-interest bearing	Total
	Floating interest rate	1 year or less	1 to 5 years	Over 5 years		
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and cash equivalents	309,049	1,009,218	-	-	-	1,318,267
Due from brokers - receivable for securities sold	-	-	-	-	118,737	118,737
Receivables	-	-	-	-	16,509	16,509
Financial assets at fair value through profit or loss	<u>677,091</u>	<u>-</u>	<u>-</u>	<u>358,800</u>	<u>15,331,407</u>	<u>16,367,298</u>
<b>Total assets</b>	<b><u>986,140</u></b>	<b><u>1,009,218</u></b>	<b><u>-</u></b>	<b><u>358,800</u></b>	<b><u>15,466,653</u></b>	<b><u>17,820,811</u></b>
<b>Liabilities</b>						
Payables	-	-	-	-	43,179	43,179
Due to brokers - payable for securities purchased	-	-	-	-	141,480	141,480
Distributions payable	-	-	-	-	349,326	349,326
Financial liabilities at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,039</u>	<u>171,039</u>
<b>Total liabilities</b> (excluding net assets attributable to unitholders)	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>705,024</u></b>	<b><u>705,024</u></b>
<b>Net exposure</b>	<b><u>986,140</u></b>	<b><u>1,009,218</u></b>	<b><u>-</u></b>	<b><u>358,800</u></b>	<b><u>14,761,629</u></b>	<b><u>17,115,787</u></b>

## 14 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Cash flow and fair value interest rate risk (continued)

The sensitivities of the Fund's monetary assets and liabilities to interest rate risk is summarised in (c) below. The analysis is based on the assumption that interest rate change +/- 100 basis points (2020: +/- 100 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of money market securities, interest rate securities and term deposits with banks.

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2021 and 2020.

### (c) Sensitivity analysis

The following table summarises the sensitivity of the Fund operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and other price risk. 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 interest rates, 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 shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The price risk for the options assumes an increase or decrease in the value of the exchange traded options which are listed on the Australian Stock Exchange.

	Price risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders			
	-10%	+10%	-100bps	+100bps
	\$	\$	\$	\$
<b>30 June 2021</b>	<b>(1,625,842)</b>	<b>1,625,842</b>	<b>4,036</b>	<b>(4,036)</b>
30 June 2020	(1,516,037)	1,516,037	3,721	(3,721)

### (d) Liquidity risk

Liquidity risk is the risk that the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. The risk management guidelines adopted by the Manager are designated to minimise liquidity and cash flow risk through:

- investing mainly in publicly traded securities, and
- by limiting the maximum value of each investment in accordance with the information memorandum of the Fund, to ensure there is no concentration of liquidity risk to a particular counterparty.

The Fund is exposed to weekly redemption of units. The Manager mitigates the Fund's liquidity risk by investing in securities that are traded on the Australian Securities Exchange ("ASX") and are considered readily realisable.

## 14 Financial risk management (continued)

### (d) Liquidity risk (continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year-end date.

	Less than 1 month \$	1-6 months \$	6-12 months \$	More than 12 months \$
<b>At 30 June 2021</b>				
Payables	85,340	-	-	-
Distribution payable	213,756	-	-	-
Financial liabilities at fair value through profit or loss	-	221,348	-	-
Net asset attributable to unitholders	<u>17,265,790</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<b><u>17,564,886</u></b>	<b><u>221,348</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
	Less than 1 month \$	1-6 months \$	6-12 months \$	More than 12 months \$
<b>At 30 June 2020</b>				
Payables	43,179	-	-	-
Due to brokers - payable for securities purchased	141,480	-	-	-
Distribution payable	349,327	-	-	-
Financial liabilities at fair value through profit or loss	-	136,121	34,918	-
Net asset attributable to unitholders	<u>17,115,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<b><u>17,649,773</u></b>	<b><u>136,121</u></b>	<b><u>34,918</u></b>	<b><u>-</u></b>

### (e) Fair value estimation

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

#### (i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

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

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current last price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or last price to the net open position, as appropriate.

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.

## 14 Financial risk management (continued)

### (e) Fair value estimation (continued)

#### (ii) 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.

These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at balance date applicable for an instrument with similar terms and conditions.

### (f) Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level 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. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2021 and 30 June 2020.

<b>As at 30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Listed equities	4,436,838	-	-	4,436,838
Listed infrastructure trusts	1,040,570	-	-	1,040,570
Listed property trusts	4,991,191	-	-	4,991,191
Preference shares - redeemable	6,011,166	-	-	6,011,166
Perpetual securities	391,460	-	-	391,460
Floating rate notes	<u>688,542</u>	-	-	<u>688,542</u>
<b>Total</b>	<u>17,559,767</u>	-	-	<u>17,559,767</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Options	<u>221,348</u>	-	-	<u>221,348</u>
<b>Total</b>	<u>221,348</u>	-	-	<u>221,348</u>



## 14 Financial risk management (continued)

### (f) Fair value hierarchy (continued)

As at 30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Listed equities	3,761,039	-	-	3,761,039
Listed infrastructure trusts	912,506	-	-	912,506
Listed property trusts	4,785,520	-	-	4,785,520
Preference shares - redeemable	5,872,342	-	-	5,872,342
Perpetual securities	358,800	-	-	358,800
Floating rate notes	<u>677,091</u>	<u>-</u>	<u>-</u>	<u>677,091</u>
<b>Total</b>	<u>16,367,298</u>	<u>-</u>	<u>-</u>	<u>16,367,298</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Options	<u>171,039</u>	<u>-</u>	<u>-</u>	<u>171,039</u>
<b>Total</b>	<u>171,039</u>	<u>-</u>	<u>-</u>	<u>171,039</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

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

The carrying value of "Net assets attributable to unitholders" differs 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.

## 15 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

### Trustee and Manager

The Trustee of the Fund is The Trust Company Limited (ABN 59 004 027 749).

The Manager of the Fund is Kaplan Funds Management Pty Limited, a wholly owned subsidiary of Kaplan Partners Pty Limited.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of Kaplan Funds Management Pty Limited at any time during the financial year as follows:

Sam Kaplan  
 John Gerahty  
 Doug Hew  
 Gilles Kryger

No compensation is paid directly by the Fund to Directors or to any Key Management Personnel of the Trustee.

## **15 Related party transactions (continued)**

### **Key management personnel unitholdings**

Parties related to the Fund (including The Trust Company Limited, its related parties and other schemes managed by [The Trust Company Limited]), hold no units in the Fund.

### **Trustee's/Manager's fees and other transactions**

(a) For the year ended 30 June 2021, the Trustee received a fee based on 0.05% (2020: 0.05%) the gross asset value of the Fund.

For the year ended 30 June 2021, the Trustee received a fee of \$11,776 (2020: \$10,116). Trustee fees payable as at 30 June 2021 are \$4,862 (2020: \$4,923).

Under the terms of the Information Memorandum and Trust Deed the Trustee is entitled to receive monthly fee of no greater than 0.05% p.a of the gross asset value of the Fund.

(b) Under the terms of the Information Memorandum, the Manager is entitled to receive:

(i) A management fee of 1% p.a (2020: 1% p.a) of the gross asset value of the Fund, calculated monthly and paid monthly. For the year ended 30 June 2021, the Manager received a management fee of \$181,065 (2020: \$190,288). Management fees payable as at 30 June 2021 are \$16,512 (2020: \$15,838).

(ii) A performance fee of 15% of the net performance above the one year swap rate. For the year ended 30 June 2021, the Manager earned a performance fee of \$40,542 (2020: \$Nil). The performance fee payable as at 30 June 2021 is \$43,509 (GST inclusive) (2020: \$Nil).

The performance fee is subject to a high water mark, requiring any performance deficit against the benchmark Index to be recouped before the next performance fee is applicable.

All related party transactions are conducted on normal commercial terms and conditions. No amounts were paid by the Fund directly to the directors of the Manager or the directors of the Trustee.

### **Related party fund's unitholdings**

Parties related to the Fund (including The Trust Company Limited, its related parties and other schemes managed by [The Trust Company Limited]), hold no units in the Fund as at 30 June 2021 and 30 June 2020.

### **Investments**

The Fund did not hold any investments in the Trustee, Kaplan Funds Management Pty Limited or its related parties as at 30 June 2021 and 30 June 2020.

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

	Year ended	
	30 June 2021 \$	30 June 2020 \$
<b>(a) Reconciliation of profit/(loss) to net cash (outflow)/inflow from operating activities</b>		
Profit/(loss) for the reporting period attributable to unitholders	-	-
Increase/(decrease) in net assets attributable to unitholders	1,251,814	(1,921,733)
Proceeds from sale of financial instruments at fair value through profit or loss	4,324,350	5,122,751
Purchase of financial instruments at fair value through profit or loss	(4,243,181)	(5,379,147)
Net (gains)/losses on financial instruments at fair value through profit or loss	(1,348,300)	1,843,793
Distributions unitholders	438,453	592,237
Net change in receivables and other assets	(20,019)	54,462
Net change in accounts payable and accrued liabilities	42,161	(279,124)
<b>Net cash inflow from operating activities</b>	<b><u>445,278</u></b>	<b><u>33,239</u></b>
<b>(b) Components of cash and cash equivalents</b>		
Cash as at the end of the reporting period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	76,881	309,049
Deposit account	<u>10,830</u>	<u>1,009,218</u>
	<b><u>87,711</u></b>	<b><u>1,318,267</u></b>
<b>(c) Non-cash financing activities</b>		
Reinvestment of unitholders distributions (Financing)	<u>237,276</u>	<u>150,671</u>

As described in Note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each financial year (as reported in Note 16(a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 17 Events occurring after the reporting period

No significant events have occurred since the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the financial year ended on that date.

## 18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities as at 30 June 2021 and 30 June 2020.

## Trustee statement

- (a) These financial statements have been authorised for signing by Kaplan Funds Management Pty Limited (the "Manager"). Preparation of these financial statements has been outsourced to the administrator of the fund, National Australia Bank Limited;
- (b) The Trustee is not aware of any material matters that require disclosure and that have not been disclosed;
- (c) The Trustee is not aware of any material matters which have occurred since the date of the financial statements that require disclosure and that have not been disclosed; and
- (d) Based on the Trustee's monitoring of the Manager and the Trustee's review, the financial statements have been appropriately prepared and contain all the relevant and required information.

A handwritten signature in black ink, appearing to be 'M. Smith', written in a cursive style.

for and on behalf of  
The Trust Company Limited  
(A.B.N 59 004 027 749)  
Sydney  
30 September 2021



## *Independent auditor's report*

To the unitholders of Kaplan Master Trust - Income Fund

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### *Our opinion*

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Kaplan Master Trust - Income Fund (the Fund) as at 30 June 2021 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### ***What we have audited***

The financial report comprises:

- the statement of financial position as at 30 June 2021
- 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 significant accounting policies and other explanatory information
- the Trustee Statement.

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### *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 ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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### *Emphasis of matter - basis of accounting and restriction on use*

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared for internal purposes to assist Kaplan Master Trust - Income Fund and its unitholders. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Kaplan Master Trust - Income Fund and its unitholders and should not be used by parties other than Kaplan Master Trust - Income Fund and its unitholders. Our opinion is not modified in respect of this matter.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Other information*

The Trustee is responsible for the other information. The other information comprises the information included in the annual financial statements for the year ended 30 June 2021, 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 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 that we 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.

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### *Responsibilities of the Trustee for the financial report*

The Trustee is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the Trustee determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Trustee is 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 Trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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### *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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Craig Stafford' in a cursive script.

Craig Stafford  
Partner

Sydney  
30 September 2021