

**Kaplan Master Trust - Charitable Equities Fund**

**Annual financial statements  
for the year ended 30 June 2018**

# Kaplan Master Trust - Charitable Equities Fund

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for the year ended 30 June 2018

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## Directors' report

The directors of Kaplan Funds Management Pty Limited, the Manager of Kaplan Master Trust - Charitable Equities Fund ("the Fund") hereby present their report together with the financial statements of Kaplan Master Trust - Charitable Equities Fund for the year ended 30 June 2018.

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 4 October 2002 under the Trust Deed dated 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 the Manager during the year or since the end of the 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 2018	30 June 2017
	\$	\$
Profit before finance costs attributable to unitholders	<u>745,519</u>	<u>875,682</u>
Distributions paid and payable	<u>522,107</u>	<u>527,564</u>
Distributions (cents per unit - CPU)	<u>3.50</u>	<u>3.55</u>

### 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.

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

No matter or circumstance has arisen since 30 June 2018 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.

### 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.

## Directors' report (continued)

### Likely developments and expected results of operations (continued)

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 Master Trust - Charitable Equities Fund 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 year are disclosed in note 16 of the financial statements.

No fees were paid out of Fund property to the directors of the Trustee during the 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 16 of the financial statements.

### Interests in the Fund

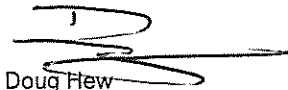
The movements in units on issue in the Fund during the year are disclosed in note 6 of the financial statements.

The value of the Fund 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.

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



Doug Hew  
Director  
Sydney

27 September 2018

**Statement of comprehensive income**

		Year ended	
		30 June 2018	30 June 2017
	Notes	\$	\$
<b>Investment income</b>			
Interest income		39,534	37,032
Dividend income		227,684	227,230
Distribution income		179,502	185,888
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	476,174	615,526
Other operating income		<u>6,207</u>	<u>5,025</u>
<b>Total investment income</b>		<u><b>929,101</b></u>	<u><b>1,070,701</b></u>
<b>Expenses</b>			
Management fees	16	102,886	103,760
Trustee's fees	16	5,497	5,305
Custody fees		42,491	44,917
Auditor's remuneration	4	14,801	13,959
Transaction costs		5,226	11,881
Other operating expenses	5	<u>12,681</u>	<u>15,197</u>
<b>Total expenses</b>		<u><b>183,582</b></u>	<u><b>195,019</b></u>
<b>Profit before finance costs attributable to unitholders</b>		<u><b>745,519</b></u>	<u><b>875,682</b></u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	7	522,107	527,564
Increase/(decrease) in net assets attributable to unitholders	6	<u>223,412</u>	<u>348,118</u>
<b>Profit/(loss) for the year attributable to unitholders</b>		<u>-</u>	<u>-</u>
Other comprehensive income for the year attributable to unitholders		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year attributable to unitholders</b>		<u><b>-</b></u>	<u><b>-</b></u>

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

**Statement of financial position**

	Notes	As at	
		30 June 2018	30 June 2017
		\$	\$
<b>Assets</b>			
Cash and cash equivalents	8	595,435	1,531,213
Due from brokers - receivable for securities sold		27,969	-
Receivables	10	131,346	134,548
Financial assets held at fair value through profit or loss	9	<u>9,757,013</u>	<u>8,487,816</u>
<b>Total assets</b>		<u><b>10,511,763</b></u>	<u>10,153,577</u>
<b>Liabilities</b>			
Payables	12	30,566	29,069
Distributions payable	7	253,850	260,314
Financial liabilities held at fair value through profit or loss	11	<u>132,510</u>	<u>30,934</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u><b>416,926</b></u>	<u>320,317</u>
<b>Net assets attributable to unitholders - liability</b>	6	<u><b>10,094,837</b></u>	<u>9,833,260</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 2018	30 June 2017
	\$	\$
<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**

		Year ended	
		30 June 2018	30 June 2017
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		1,272,381	5,471,415
Purchase of financial instruments held at fair value through profit or loss		(1,991,796)	(4,192,792)
Dividends received		230,694	245,654
Distributions received		178,281	200,388
Interest received		41,242	32,466
Other income received		6,207	5,025
Manager's and trustee's fees paid		(107,567)	(109,117)
Payment of other expenses		(74,518)	(86,205)
RITC received		(295)	247
<b>Net cash inflow/(outflow) from operating activities</b>	17(a)	<u>(445,371)</u>	<u>1,567,081</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		38,165	4,459
Payments for redemptions by unitholders		-	(647,900)
Distributions paid		(528,572)	(432,425)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(490,407)</u>	<u>(1,075,866)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(935,778)</b>	491,215
Cash and cash equivalents at the beginning of the year		<u>1,531,213</u>	<u>1,039,998</u>
<b>Cash and cash equivalents at the end of the year</b>	8	<u>595,435</u>	<u>1,531,213</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 - Charitable Equities Fund ("the Fund") as an individual entity. The Fund was established on 4 October 2002 in accordance with the 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 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 27 September 2018.

## 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 reporting periods 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 and the *Corporations Act 2001* in Australia.

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 and net assets attributable to unitholders where the amount expected to be recovered or settled within twelve months after the end of the year cannot be reliably determined.

### *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.

### *New/Amended standards adopted by the Fund*

The Fund applied the following accounting standard amendment which became effective for the first time for the financial year:

*AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (effective from 1 January 2017). This amendment requires entities to provide disclosures that enable users of financial statements to evaluate cash and non-cash changes in their financial activities. The adoption of AASB 2016-2 did not have any significant impact on the Fund financial statements

There were no other new or amended standards and interpretations that became effective for the first time for the financial year that were relevant to the Fund.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (i) Classification

The Fund's investments are classified as at fair value through profit or loss, which are comprised of:

- Financial instruments held for trading

These include derivative financial instruments such as futures, forward contracts, options and warrants. 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 financial liabilities that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and convertible notes.

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

The information on the fair value basis is provided internally to the Fund's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

#### (ii) 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.

#### (iii) Measurement

### Financial assets and liabilities 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 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 held 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 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 and the quoted market price for financial liabilities is the current asking 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.

#### (iv) 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.

## 2 Summary of significant accounting policies (continued)

### (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 year if unitholders exercised their right to put the units back to the Fund. Because the Fund redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

### (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.

### (e) Investment income

Interest income and interest expenses are recognised in the statement of comprehensive income for all financial instruments on an accrual 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.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

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

### (f) Expenses

All expenses, including trustee fees and custodian fees, are recognised in 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 held 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 franking credits and foreign tax paid are passed on to unitholders.

### (h) Distributions

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Manager, 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. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

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

### **(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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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 receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three 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, 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 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

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 year.

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

## 2 Summary of significant accounting policies (continued)

### (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.

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

The GST incurred on the costs of various services provided to the Fund by third parties such as 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 55% or 75%; 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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

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

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now also introduced revised rules for hedge accounting and impairment. The Standard is not applicable until 1 January 2018 but is available for early adoption. The Fund does not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments. The derecognition rules have not been 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 does not intend to early adopt AASB 9. The Fund will apply AASB 9 in its financial statements for the reporting period commencing from 1 July 2018.

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

The AASB has issued a new standard for the recognition of revenue. Once applied or effective, 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 notion that revenue is recognised when control of a good or service transfers to a customer. This notion of control replaces the existing notion of risks and rewards. The Fund's main source of income includes interest, dividends/distributions and gains on financial instruments held at fair value through profit or loss. All of these are outside the scope of the Revenue standard. Consequently, the Fund does not expect AASB 15 to have a significant impact on the Fund's financial statements. The Fund does not intend to early adopt AASB 15. The Fund will apply AASB 15 in its financial statements for the reporting period commencing from 1 July 2018.

## 2 Summary of significant accounting policies (continued)

### (r) Comparative Revisions

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

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

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
<b>Financial assets</b>		
Net gains/(losses) on financial assets designated at fair value through profit or loss	<u>528,874</u>	<u>472,825</u>
<b>Financial liabilities</b>		
Net gains/(losses) on financial liabilities held for trading	<u>(52,700)</u>	<u>142,701</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>476,174</u>	<u>615,526</u>

### 4 Auditor's remuneration

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

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
Audit of financial statements	<u>14,801</u>	<u>13,959</u>

### 5 Other operating expenses

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
Registry fees	9,673	9,420
Consulting fees	2,805	5,610
Other expenses	<u>203</u>	<u>167</u>
	<u>12,681</u>	<u>15,197</u>

## 6 Net assets attributable to unitholders

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

	Year ended			
	30 June 2018 No.	30 June 2017 No.	30 June 2018 \$	30 June 2017 \$
<b>Net assets attributable to unitholders</b>				
Opening balance	14,875,097	15,579,149	9,833,260	9,942,941
Applications	-	6,678	-	4,459
Redemptions	-	(1,000,000)	-	(647,900)
Units issued upon reinvestment of distributions	57,222	289,270	38,165	185,642
Return of capital	-	-	(189,313)	(175,282)
Increase/(Decrease) in net assets attributable to unitholders	-	-	412,725	523,400
Closing balance	<u>14,932,319</u>	<u>14,875,097</u>	<u>10,094,837</u>	<u>9,833,260</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 to 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 2018 \$	30 June 2017 \$	30 June 2018 CPU	30 June 2017 CPU
Distribution paid	268,257	267,250	1.80	1.80
Distribution payable	<u>253,850</u>	<u>260,314</u>	<u>1.70</u>	<u>1.75</u>
	<u>522,107</u>	<u>527,564</u>	<u>3.50</u>	<u>3.55</u>

## 8 Cash and cash equivalents

	As at	
	30 June 2018 \$	30 June 2017 \$
Cash at bank	369,730	326,313
Deposit account	<u>225,705</u>	<u>1,204,900</u>
	<u>595,435</u>	<u>1,531,213</u>

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

	As at	
	30 June 2018 \$	30 June 2017 \$
<b>Designated at fair value through profit or loss</b>		
Listed equities	4,335,470	3,485,696
Listed infrastructure trusts	411,924	397,760
Listed property trusts	3,051,103	2,760,972
Preference shares - redeemable	1,426,047	1,318,250
Perpetual securities	288,000	205,160
Floating rate notes	244,469	319,978
Total designated at fair value through profit or loss	<u>9,757,013</u>	<u>8,487,816</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>9,757,013</u>	<u>8,487,816</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 2018 \$	30 June 2017 \$
Interest receivable	2,761	4,469
Dividend receivable	61,009	64,019
Distribution receivable	62,600	61,379
GST receivable	4,976	4,681
	<u>131,346</u>	<u>134,548</u>

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

	As at	
	30 June 2018 Fair value \$	30 June 2017 Fair value \$
<b>Held for trading</b>		
Options	<u>132,510</u>	30,934
Total held for trading	<u>132,510</u>	30,934
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>132,510</u>	30,934

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 2018	30 June 2017
	\$	\$
Manager's fees payable	9,284	9,182
Trustee's fees payable	1,660	946
Custody fees payable	3,704	3,616
Audit fees payable	15,286	14,693
Other payables	<u>632</u>	<u>632</u>
	<u><b>30,566</b></u>	<u><b>29,069</b></u>

## 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.

### 13 Derivative financial instruments (continued)

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

	Contract/ notional \$	Fair Values	
		Assets \$	Liabilities \$
<b>2018</b>			
Australian exchange traded options	<u>1,938,050</u>	-	<u>132,510</u>
<b>Closing balance</b>	<u>1,938,050</u>	-	<u>132,510</u>

	Contract/ notional \$	Fair Values	
		Assets \$	Liabilities \$
<b>2017</b>			
Australian exchange traded options	<u>2,424,132</u>	-	<u>30,934</u>
Closing balance	<u>2,424,132</u>	-	<u>30,934</u>

#### Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk, foreign exchange risk and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 14 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.

### 14 Financial risk management

The Fund is exposed to credit risk, market risk (interest rate risk and price risk), liquidity risk and cash flow risk arising from the financial instruments it holds.

Financial risk management is carried out by the Manager and monitored by the Trustee. The Manager seeks to maximise the return for the level of risk the Fund is exposed to.

The risk management policies employed by the Fund to manage these risks are discussed below.

#### (a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

The Fund is exposed to credit risk from its investments in listed debt securities and money market securities. The Manager mitigates the Fund's credit risk arising from these investments by:

- investing only in money market securities issued by the major domestic banks,
- undertaking thorough research before investing in any listed debt securities, and
- diversifying its portfolio of debt securities.

The Fund is also exposed to credit risk from its cash deposits with banks and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

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 2018 or 30 June 2017.

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

## 14 Financial risk management (continued)

### (a) Credit risk (continued)

#### (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:

	BBB+	Not rated
	\$	\$
<b>At 30 June 2018</b>		
Australian debt securities	<u>30,308</u>	<u>214,161</u>
Total	<u>30,308</u>	<u>214,161</u>
	BBB+	Not rated
	\$	\$
<b>At 30 June 2017</b>		
Australian debt securities	<u>103,145</u>	<u>216,833</u>
Total	<u>103,145</u>	<u>216,833</u>

#### (ii) Derivative financial instruments

The Fund may also restrict 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 arrangements 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 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.

#### (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.

## 14 Financial risk management (continued)

### (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: interest rate risk and other price risk.

At 30 June 2018, the overall market exposures were as follows:

	As at	
	30 June 2018	30 June 2017
	\$	\$
Derivatives liabilities held for trading	132,510	30,934
Securities designated at fair value through profit or loss	<u>9,757,013</u>	<u>8,487,816</u>
	<u>9,889,523</u>	<u>8,518,750</u>

### (i) 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.

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

30 June 2018	Floating interest rate	Fixed interest rate			Non-interest bearing	Total
		1 year or less	1 to 5 years	Over 5 years		
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and cash equivalents	225,705	369,730	-	-	-	595,435
Due from brokers - receivable for securities sold	-	-	-	-	27,969	27,969
Receivables	-	-	-	-	131,346	131,346
Financial assets held at fair value through profit or loss	<u>244,469</u>	-	-	288,000	9,224,544	<u>9,757,013</u>
<b>Total assets</b>	<u>470,174</u>	<u>369,730</u>	<u>-</u>	<u>288,000</u>	<u>9,383,859</u>	<u>10,511,763</u>
<b>Liabilities</b>						
Payables	-	-	-	-	30,566	30,566
Distributions payable	-	-	-	-	253,850	253,850
Financial liabilities held at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	132,510	<u>132,510</u>
<b>Total liabilities</b> (excluding net assets attributable to unitholders)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	416,926	<u>416,926</u>
<b>Net exposure</b>	<u>470,174</u>	<u>369,730</u>	<u>-</u>	<u>288,000</u>	<u>8,966,933</u>	<u>10,094,837</u>

## 14 Financial risk management (continued)

### (b) Market risk (continued)

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

30 June 2017	Floating	Fixed interest rate			Non-interest bearing	Total
	interest rate	3 months or less	1 to 5 years	Over 5 years		
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and cash equivalents	1,531,213	-	-	-	-	1,531,213
Receivables	-	-	-	-	134,548	134,548
Financial assets held at fair value through profit or loss	<u>319,978</u>	<u>-</u>	<u>-</u>	<u>205,160</u>	<u>7,962,678</u>	<u>8,487,816</u>
<b>Total assets</b>	<u>1,851,191</u>	<u>-</u>	<u>-</u>	<u>205,160</u>	<u>8,097,226</u>	<u>10,153,577</u>
<b>Liabilities</b>						
Payables	-	-	-	-	29,069	29,069
Distributions payable	-	-	-	-	260,314	260,314
Financial liabilities held at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,934</u>	<u>30,934</u>
<b>Total liabilities</b> (excluding net assets attributable to unitholders)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,317</u>	<u>320,317</u>
<b>Net exposure</b>	<u>1,851,191</u>	<u>-</u>	<u>-</u>	<u>205,160</u>	<u>7,776,909</u>	<u>9,833,260</u>

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 the interest rate changed +/- 100 basis points (2017: +/- 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 and interest rate securities.

#### (ii) Price risk

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

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

The 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 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% (2017: +/- 10%), with other variables held constant, and that the Fund's investments moved according to their historical correlation with the S&P ASX200.

## 14 Financial risk management (continued)

### (c) Sensitivity analysis

The following table summarises the sensitivity of the Fund operating profit and net assets attributable to unitholders to interest rate 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	
	-10%	+10%	-100bps	+100bps
	<b>Impact on operating profit/Net assets attributable to unitholders</b>			
	\$	\$	\$	\$
<b>30 June 2018</b>	<b>(909,203)</b>	<b>909,203</b>	<b>2,945</b>	<b>(2,945)</b>
30 June 2017	(793,174)	793,174	2,215	(2,215)

### (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.

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 2018</b>				
Payables	30,566	-	-	-
Distribution payable	253,850	-	-	-
Financial liabilities at fair value through profit or loss	-	132,510	-	-
Net asset attributable to unitholders	<u>10,094,837</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>10,379,253</u></b>	<b><u>132,510</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

## 14 Financial risk management (continued)

### (d) Liquidity risk (continued)

	Less than 1 month \$	1-6 months \$	6-12 months \$	More than 12 months \$
At 30 June 2017				
Payables	29,069	-	-	-
Distribution payable	260,314	-	-	-
Financial liabilities at fair value through profit or loss	-	30,934	-	-
Net asset attributable to unitholders	<u>9,833,260</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>10,122,643</u>	<u>30,934</u>	<u>-</u>	<u>-</u>

### (e) Fair Value Estimation

Financial assets and liabilities held 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 asking 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 asking 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.

#### (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 the balance date applicable for an instrument with similar terms and conditions.

## 14 Financial risk management (continued)

### (f) Fair value hierarchy

The Fund is required to classify 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 2018 and 30 June 2017.

As at 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	4,335,470	-	-	4,335,470
Listed infrastructure trusts	411,924	-	-	411,924
Listed property trusts	3,051,103	-	-	3,051,103
Preference shares - redeemable	1,426,047	-	-	1,426,047
Perpetual securities	288,000	-	-	288,000
Floating rate notes	244,469	-	-	244,469
<b>Total</b>	<b>9,757,013</b>	<b>-</b>	<b>-</b>	<b>9,757,013</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Options	132,510	-	-	132,510
<b>Total</b>	<b>132,510</b>	<b>-</b>	<b>-</b>	<b>132,510</b>



## 14 Financial risk management (continued)

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

As at 30 June 2017

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	3,485,696	-	-	3,485,696
Listed infrastructure trusts	397,760	-	-	397,760
Listed property trusts	2,760,972	-	-	2,760,972
Preference shares - redeemable	1,318,250	-	-	1,318,250
Perpetual Securities	205,160	-	-	205,160
Floating rate notes	<u>319,978</u>	<u>-</u>	<u>-</u>	<u>319,978</u>
<b>Total</b>	<u>8,487,816</u>	<u>-</u>	<u>-</u>	<u>8,487,816</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Options	<u>30,934</u>	<u>-</u>	<u>-</u>	<u>30,934</u>
<b>Total</b>	<u>30,934</u>	<u>-</u>	<u>-</u>	<u>30,934</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 Offsetting financial assets and financial liabilities

None of the financial instruments is offset in the statement of financial position. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to enforceable master netting agreements (or similar).

Financial assets - 30 June 2018	Gross amounts	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in statement of financial position	Amounts related to recognised financial instruments that don't meet offsetting criteria	Cash collateral	Marketable security collateral	Net amount
Nil	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Financial liabilities - 30 June 2018	Gross amounts \$	Gross amounts of recognised financial assets set off in the statement of financial position \$	Net amounts of financial liabilities presented in statement of financial position \$	Amounts related to recognised financial instruments that do not meet offsetting criteria \$	Cash collateral \$	Marketable security collateral \$	Net amount \$
Australian exchange traded options	<u>132,510</u>	-	<u>132,510</u>	-	-	-	<u>132,510</u>
	<u>132,510</u>	-	<u>132,510</u>	-	-	-	<u>132,510</u>
Financial assets - 30 June 2017	Gross amounts	Gross amounts of recognised liabilities set off in the statement of financial position	Net amounts of financial assets presented in statement of financial position	Amounts related to recognised financial instruments that don't meet offsetting criteria	Cash collateral	Marketable security collateral	Net amount
Nil	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Financial liabilities - 30 June 2017	Gross amounts \$	Gross amounts of recognised financial assets set off in the statement of financial position \$	Net amounts of financial liabilities presented in statement of financial position \$	Amounts related to recognised financial instruments that do not meet offsetting criteria \$	Cash collateral \$	Marketable security collateral \$	Net amount \$
Australian exchange traded options	<u>30,934</u>	-	<u>30,934</u>	-	-	-	<u>30,934</u>
	<u>30,934</u>	-	<u>30,934</u>	-	-	-	<u>30,934</u>

The agreements, where relevant, could include derivative clearing agreements, global master repurchase agreements and others. Similar financial instruments could include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities lending agreements, short sales etc.

The International Swaps and Derivatives Association ("ISDA"), master netting agreements or similar agreements do not generally meet the criteria for offsetting. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the entity or the counterparties.

## **15 Offsetting financial assets and financial liabilities (continued)**

From time to time, the Fund may receive or pledge collateral which could be in the form of cash or marketable securities or both in respect of the above instruments. Such collateral, if transacted, is generally subject to the standard industry terms of ISDA's Credit Support Annex. This means that collateral received/pledged can be re-pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also generally give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral.

## **16 Related party transactions**

### **Trustee and Manager**

The Trustee of the Fund is The Trust Company Limited.

The Manager of Kaplan Master Trust - Charitable Equities 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 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.

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

(a) For the year ended 30 June 2018, the Trustee received a fee based on 0.05% (2017 :0.05%) of the gross asset value of the Fund.

For the year ended 30 June 2018, the Trustee received a fee of \$5,497 (2017: \$5,305). Trustee fees payable as at 30 June 2018 are \$1,660 (2017: \$946).

Under the terms of the Information Memorandum and Trust Deed the Trustee is entitled to receive a 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. (2017:1% p.a) of the value of the Fund, calculated monthly and paid monthly. For the year ended 30 June 2018, the Manager received a management fee of \$102,886 (2017: \$103,760). Management fees payable as at 30 June 2018 are \$9,284 (2017: \$9,182).

(ii) A performance fee of 15% of the net performance above the S&P/ASX200 Accumulation Index. For the year ended 30 June 2018, the Manager received a performance fee of \$Nil (2017: \$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.

As at 30 June 2018, the high water mark had not been reached and therefore no performance fee is applicable for the period.

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.

### **Investments**

The Fund did not hold any investments in the Trustee, Kaplan Funds Management Pty Limited or its related parties as at 30 June 2018 and 30 June 2017.

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

	Year ended	
	30 June 2018 \$	30 June 2017 \$
<b>(a) Reconciliation of profit/(loss) to net cash inflow from operating activities</b>		
Profit/(loss) for the reporting period attributable to unitholders	-	-
Increase/(Decrease) in net assets attributable to unitholders	223,412	348,118
Proceeds from sale of financial instruments held at fair value through profit or loss	1,272,381	5,471,415
Purchase of financial instruments held at fair value through profit or loss	(1,991,796)	(4,192,792)
Net losses/(gains) on financial instruments held at fair value through profit or loss	(476,174)	(615,526)
Distributions unitholders	522,107	527,564
Net change in receivables and other assets	3,202	28,605
Net change in payables and other liabilities	1,497	(303)
<b>Net cash inflow from operating activities</b>	<b><u>(445,371)</u></b>	<b><u>1,567,081</u></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	369,730	2
Deposit account	225,705	1,204,900
	<b><u>595,435</u></b>	<b><u>1,204,902</u></b>
<b>(b) Non-cash financing activities</b>		
Reinvestment of unitholders distributions (Financing)	<b><u>38,165</u></b>	<b><u>185,642</u></b>
	<b><u>38,165</u></b>	<b><u>185,642</u></b>

As described in note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each 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.

## 18 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 2018 or on the results and cash flows of the Fund for the reporting period ended on that date.

## 19 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities as at 30 June 2018 and 30 June 2017.

## Directors' declaration

In the opinion of the directors of the Kaplan Funds Management Pty Limited:

- (a) the financial statements and notes set out on pages 3 to 26 of Kaplan Master Trust - Charitable Equities Fund are in accordance with the Trust Deed, 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 2018 and of its performance for the reporting period ended on that date; and
- (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; and
- (c) note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

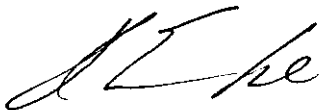


Doug Hew  
Director

Sydney  
27 September 2018

**Trustee Statement**

- (a) These financial statements have been prepared by Kaplan Funds Management Pty 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.



**Hugh Treweeke**

**Head of Responsible Entity Services**

for and on behalf of  
The Trust Company Limited

(A.B.N 59 004 027 749)

Sydney

27 September 2018



## *Independent auditor's report*

To the unitholders of Kaplan Master Trust – Charitable Equities Fund

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### *Our opinion*

In our opinion the accompanying financial report gives a true and fair view of the financial position of Kaplan Master Trust - Charitable Equities Fund (the Trust) as at 30 June 2018 and of 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 2018
- 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 Trustee statement.
- The Directors' declaration.

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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 Trust in accordance with 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.

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### *Other information*

The directors of the Trustee are responsible for the other information. The other information comprises the information included in the annual financial statements for the year ended 30 June 2018, including the Directors' 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

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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.

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### *Responsibilities of management and the directors of the Trustee for the financial report*

Kaplan Funds Management Pty Limited (Management) is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such internal control as Management determine 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, Management is responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The directors of the Trustee are responsible for overseeing the Trust's financial reporting process.

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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.

The logo for PricewaterhouseCoopers, featuring the company name in a large, elegant, cursive script font, with the words 'PricewaterhouseCoopers' in a smaller, clean, sans-serif font directly beneath it.

A handwritten signature in black ink, appearing to read 'Craig Stafford', written in a cursive style.

Craig Stafford  
Partner

Sydney  
27 September 2018