
Ironbark Denning Pryce Global Tailored Income Fund (formerly "Denning Pryce Global Income Fund")

ARSN 136 845 148



Annual Financial Report

For the year ended 30 June 2018

Responsible Entity

Ironbark Asset Management (Fund
Serviced) Ltd

ABN: 63 116 232 154

AFSL: 298626



Ironbark Denning Pryce Global Tailored Income Fund (formerly Denning Pryce Global Income Fund)

ARSN 136 845 148

Annual financial report

For the year ended 30 June 2018

Contents

	Page
Directors' report	2
Auditor's independence declaration	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	12
Directors' declaration	35
Independent auditor's report to the unitholders of Ironbark Denning Pryce Global Tailored Income Fund (formerly Denning Pryce Global Income Fund)	36

Directors' report

The directors of Ironbark Asset Management (Fund Services) Limited (the "Responsible Entity"), the Responsible Entity of Ironbark Denning Pryce Global Tailored Income Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2018 and the auditor's report thereon.

The Fund was previously known as Denning Pryce Global Income Fund before changing its name to Ironbark Denning Pryce Global Tailored Income Fund on 27 September 2017.

The former Responsible Entity being One Managed Investments Fund Limited ('OMIFL') advised unitholders on 5 September 2017 of its intention to retire as the Responsible Entity of the Fund and have Ironbark Asset Management (Fund Services) Limited ('IBFS') appointed in its place. A unitholder meeting was held on 27 September 2017 where the vote to change the Responsible Entity was passed. The change of Responsible Entity notice was submitted with ASIC and took effect from 27 September 2017.

Responsible Entity

The registered office and principal place of business of the Responsible Entity and the Fund is Level 13, 1 Margaret Street, Sydney, NSW 2000.

Directors

The following persons held office as directors of OMIFL from 1 July 2017 to 27 September 2017.

Frank Tearle
Justin Epstein
Elizabeth Reddy
Sarah Wiesener

The following persons held office as directors of the Responsible Entity of the Fund for the period from 27 September 2017 to the date of this report:

B Carpenter
A Donald
C Larsen

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund invests in a portfolio of global shares, equity indices and their listed options and futures in accordance with the provisions of the Fund's Constitution.

The Fund aims to provide consistent positive total returns with less volatility than the global share market over 5 to 7 year periods. In addition, the Fund aims to pay distributions within a target range of 4% to 6% per annum.

The Fund did not have any employees during the year.

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

Review and results of operations

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and the provisions of the Fund's Constitution.

Directors' report (continued)

Results

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

	Year ended	
	30 June 2018	30 June 2017
Operating profit/(loss) (\$'000)	1,228	4,547
Distributions - Retail Class		
Distributions paid and payable (\$'000)	1	2
Distribution (cents per unit)	4.3069	4.5077
Distributions - Wholesale Class		
Distributions paid and payable (\$'000)	97	127
Distribution (cents per unit)	4.4182	4.5317
Distributions - Institutional Class		
Distributions paid and payable (\$'000)	1,914	2,171
Distribution (cents per unit)	4.4970	4.6394
Unit price as at 30 June - Retail Class		
Application price (\$)	1.0242	1.0513
Redemption price (\$)	1.0200	1.0471
Unit price as at 30 June - Wholesale Class		
Application price (\$)	1.0332	1.0580
Redemption price (\$)	1.0290	1.0538
Unit price as at 30 June - Institutional Class		
Application price (\$)	1.0632	1.0845
Redemption price (\$)	1.0589	1.0801

Significant changes in the state of affairs

During the year, the Fund amended its Constitution in order to allow it to elect into the Attribution Managed Investment Trust ("AMIT") regime from 1 July 2017.

As at 27 September 2017, Ironbark Asset Management (Fund Services) Limited was appointed as Responsible Entity. Previously, the Responsible Entity was One Managed Investments Fund Limited.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 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.

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 the provisions of the Fund's Constitution.

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

Indemnification and insurance of officers and auditor

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditor of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of the Fund property during the year are disclosed in note 17 of the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 17 of the financial statements.

Interests in the Fund

The movements in units on issue in the Fund during the year are disclosed in note 8 of the financial statements.

The value of the Fund's assets and liabilities is disclosed on 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.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of the Directors' report for the year ended 30 June 2018.

This report is made in accordance with a resolution of the directors of the Responsible Entity.



Director

Sydney
25 September 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Ironbark Asset Management (Fund Services) Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Ironbark Denning Pryce Global Tailored Income Fund (formerly Denning Pryce Global Income Fund) for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



David Kells
Partner
Sydney
25 September 2018

Statement of comprehensive income

	Notes	Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000
Investment income			
Dividend income		820	913
Interest income		126	588
Net gains/(losses) on financial instruments held at fair value through profit or loss	7	3,914	2,880
Net foreign exchange gains/(losses)		(2,881)	812
Other operating income		<u>4</u>	<u>-</u>
Total investment income/(loss)		<u>1,983</u>	<u>5,193</u>
Expenses			
Responsible Entity's fees	17	309	350
Transaction costs		316	14
Withholding taxes		122	132
Other operating expenses		<u>8</u>	<u>150</u>
Total operating expenses		<u>755</u>	<u>646</u>
Operating profit/(loss)		<u>1,228</u>	<u>4,547</u>
Finance costs attributable to unitholders			
Distributions to unitholders	9	<u>(2,012)</u>	<u>(2,300)</u>
(Increase)/decrease in net assets attributable to unitholders			
Total comprehensive income	8	<u>784</u>	<u>(2,247)</u>

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

Statement of financial position

		As at	
	Notes	30 June 2018 \$'000	30 June 2017 \$'000
Assets			
Cash and cash equivalents	10	47,854	53,673
Receivables	14	120	92
Due from brokers - receivable for securities sold		893	3,072
Financial assets held at fair value through profit or loss	12	<u>34,601</u>	<u>39,221</u>
Total assets		<u>83,468</u>	<u>96,058</u>
Liabilities			
Bank overdraft and cash equivalents	10(a)	37,201	41,044
Payables	15	27	58
Distributions payable	9	340	676
Due to brokers - payable for securities purchased		312	878
Financial liabilities held at fair value through profit or loss	13	<u>515</u>	<u>1,777</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>38,395</u>	<u>44,433</u>
Net assets attributable to unitholders - liability	8	<u>45,073</u>	<u>51,625</u>

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

Statement of changes in equity

The Fund's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Fund has no equity, and no items of changes in equity have been presented for the current or comparative financial period.

Statement of cash flows

	Notes	Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000
Cash flows from operating activities			
Dividends received		460	760
Interest received		128	527
Other operating income received		1	1
Responsible Entity's fees paid		(344)	(362)
Transaction costs paid		-	(15)
Other operating expenses paid		(322)	4
Net cash inflow/(outflow) from operating activities	11(a)	<u>(77)</u>	<u>915</u>
Cash flows from investing activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		128,695	468
Purchase of financial instruments held at fair value through profit or loss		(122,549)	(7,577)
Net cash inflow/(outflow) from investing activities		<u>6,146</u>	<u>(7,109)</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		521	1,144
Payments for redemptions by unitholders		(8,632)	(9,641)
Distributions paid		(5)	(6)
Net cash inflow/(outflow) from financing activities		<u>(8,116)</u>	<u>(8,503)</u>
Net increase/(decrease) in cash and cash equivalents		(2,047)	(14,697)
Cash and cash equivalents at the beginning of the year		12,629	26,513
Effects of foreign currency exchange rate changes on cash and cash equivalents		71	813
Cash and cash equivalents at the end of the year	10	<u>10,653</u>	<u>12,629</u>
Non-cash operating and financing activities	11(b)	2,556	2,181

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

Contents of the notes to the financial statements

	Page	
1	General information	12
2	Summary of significant accounting policies	12
3	Financial risk management	17
4	Offsetting financial assets and financial liabilities	23
5	Fair value measurement	24
6	Auditor's remuneration	26
7	Net gains/(losses) on financial instruments held at fair value through profit or loss	26
8	Net assets attributable to unitholders	27
9	Distributions to unitholders	28
10	Cash and cash equivalents	28
11	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	29
12	Financial assets held at fair value through profit or loss	30
13	Financial liabilities held at fair value through profit or loss	30
14	Receivables	31
15	Payables	31
16	Derivative financial instruments	31
17	Related party transactions	32
18	Events occurring after the reporting period	34
19	Contingent assets and liabilities and commitments	34

1 General information

These financial statements cover Ironbark Denning Pryce Global Tailored Income Fund (formerly Denning Pryce Global Income Fund) (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme and was constituted on 31 March 2009. The Fund will terminate on 30 March 2089 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Fund was previously known as Denning Pryce Global Income Fund before changing its name to Ironbark Denning Pryce Global Tailored Income Fund on 27 September 2017.

The former Responsible Entity being One Managed Investments Fund Limited ('OMIFL') advised unitholders on 5 September 2017 of its intention to retire as the Responsible Entity of the Fund and have Ironbark Asset Management (Fund Services) Limited ('IBFS') appointed in its place. A unitholder meeting was held on 27 September 2017 where the vote to change the Responsible Entity was passed. The change of Responsible Entity notice was submitted with ASIC and took effect from 27 September 2017.

The Responsible Entity of the Fund is Ironbark Asset Management (Fund Services) Limited (ABN 63 116 232 154) (AFSL 298626) (the "Responsible Entity"). The Responsible Entity's registered office is Level 13, 1 Margaret Street, Sydney, NSW 2000.

The Fund invests in a portfolio of global shares, equity indices and their listed options and futures in accordance with the provisions of the Fund's Constitution.

The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. There has been no change in how units are classified as a financial liability. See note 8

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

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

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

(iii) New and amended standards adopted by the Fund

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the Fund.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period beginning 1 July 2017 and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

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

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss.

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 materially impact the Fund.

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

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are dividends, interest and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard.

As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

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

(b) Financial instruments

(i) Classification

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

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Classification (continued)

- Financial instruments held for trading

These are investments in derivative financial instruments such as futures and options. The Fund does not designate any derivatives as hedges in a hedging relationship. All derivatives in a net receivable position (positive fair value) are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities held for trading.

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

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

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 Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(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.

Financial assets are derecognised when the contractual right to receive cash flows from the investments have expired or the Fund has transferred the financial asset and the transfer qualifies for derecognition in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(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 on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

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.

Other financial assets and liabilities

Financial assets and financial liabilities not at fair value through profit or loss, include transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets classified as receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method.

Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets, effectively fair value at the reporting date.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Offsetting financial instruments

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

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

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income. 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 reporting period if unitholders exercised their right to redeem units from the Fund.

(d) Cash and cash equivalents

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

(e) Investment income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis.

Dividend income is recognised in the statement of comprehensive income on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Other operating income is recognised on an accruals basis.

(f) Expenses

All expenses, including management fees, 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 taxable income of the Fund (including assessable capital gains).

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

2 Summary of significant accounting policies (continued)

(h) Finance costs and increase/decrease in net assets attributable to unitholders

Movements in net assets attributable to unitholders and distributions are recognised in the statement of comprehensive income as finance costs. In accordance with the Fund's Constitution, the Fund fully distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

(i) 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 Fund's presentation currency.

(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/(losses) on financial instruments at fair value through profit or loss in the statement of comprehensive income.

(j) 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 normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(k) Receivables

Receivables may include amounts for dividends, interest and applications received for units in the Fund where settlement has not yet occurred. Dividends are accrued when the right to receive payment is established. Interest is accrued at the reporting date 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.

(l) Payables

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

The distribution amount payable to unitholders as at the end of the reporting period is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

2 Summary of significant accounting policies (continued)

(m) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management fees and other expenses have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC), hence management 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 flow on a gross basis.

(n) Use of estimates

The Fund may make estimates and assumptions that 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.

(o) Comparative revisions

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

3 Financial risk management

Overview

The Fund's assets primarily consist of financial instruments which comprise equity securities. It holds these investments at the discretion of the Investment Manager, Denning Pryce Pty Limited, in accordance with the provisions of the Fund's Constitution.

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the risks below, the Fund's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Reports from the Fund's Investment Manager include details of the controls it has in place to monitor compliance with the Fund's investment strategy, training and personnel management standards and procedures, and details of how the Investment Manager develops and maintains a disciplined and constructive control environment in which its employees understand their roles and obligations.

The Fund's investing activities expose it to the following risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. Market risk embodies the potential for both losses and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Fund's strategy on the management of the investment risk is driven by the Fund's investment objective and all transactions are carried out within the investment guidelines set by the Responsible Entity. Information relating to the investment objective and guidelines can be obtained from the Product Disclosure Statement.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange risk and interest rate risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect income.

A sensitivity analysis of price risk is provided in note 3(a)(iv).

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to foreign exchange risk on financial instruments, cash held, receivables and liabilities that are denominated in a currency other than the functional currency (Australian dollars) of the Fund. These transactions are denominated in numerous currencies.

The Fund's strategy on the management of foreign exchange risk is driven by the Fund's investment objective. The Fund's foreign exchange risk is managed and monitored on a daily basis by the Investment Manager in accordance with the investment guidelines as outlined in the Fund's Product Disclosure Statement. Foreign exchange risk is managed by ensuring investments are within the limits set for individual currencies thus minimizing currency concentration risk.

Predicting currencies is difficult but an attempt to minimize foreign exchange risk is made by taking currency forecasts into consideration when making investment decisions.

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Australian dollar.

The table below summarizes the Fund's assets and liabilities that are denominated in these currencies.

	Net currency exposure	
	30 June 2018	30 June 2017
	A\$'000	A\$'000
British Pound	603	514
Canadian Dollar	103	100
Danish Krone	79	74
Euro	(6)	134
Japanese Yen	(293)	-
US Dollars	(735)	629
Other	(133)	(282)
Total	(382)	1,169

A sensitivity analysis of foreign exchange risk is provided in note 3(a)(iv).

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Fund's exposure to interest rate risk is set out in the following table:

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

30 June 2018	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Assets				
Cash and cash equivalents	38,179	-	9,675	47,854
Receivables	-	-	120	120
Due from brokers - receivable for securities sold	-	-	893	893
Financial assets held at fair value through profit and loss	-	-	34,601	34,601
Total assets	<u>38,179</u>	<u>-</u>	<u>45,289</u>	<u>83,468</u>
Liabilities				
Overdraft & cash equivalents	37,201	-	-	37,201
Payables	-	-	27	27
Distributions payable	-	-	340	340
Due to brokers - payable for securities purchased	-	-	312	312
Financial liabilities held at fair value through profit and loss	-	-	515	515
Total liabilities	<u>37,201</u>	<u>-</u>	<u>1,194</u>	<u>38,395</u>
Net exposure	<u>978</u>	<u>-</u>	<u>44,095</u>	<u>45,073</u>
30 June 2017	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Assets				
Cash and cash equivalents	53,673	-	-	53,673
Receivables	-	-	92	92
Due from brokers - receivable for securities sold	-	-	3,072	3,072
Financial assets held at fair value through profit and loss	-	-	39,221	39,221
Total assets	<u>53,673</u>	<u>-</u>	<u>42,385</u>	<u>96,058</u>
Liabilities				
Overdraft & cash equivalents	41,044	-	-	41,044
Payables	-	-	58	58
Distributions payable	-	-	676	676
Due to brokers - payable for securities purchased	-	-	878	878
Financial liabilities held at fair value through profit and loss	-	-	1,777	1,777
Total liabilities	<u>41,044</u>	<u>-</u>	<u>3,389</u>	<u>44,433</u>
Net exposure	<u>12,629</u>	<u>-</u>	<u>38,996</u>	<u>51,625</u>

3 Financial risk management (continued)

(a) Market risk (continued)

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unitholders to market 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 correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of 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.

	Price risk		Interest rate risk		Foreign exchange risk	
	-10%	+10%	-100bps	+100bps	-10%	+10%
	Impact on operating profit/(loss)/Net assets attributable to unitholders					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2018	(3,401)	3,401	(10)	10	38	(38)
30 June 2017	(3,779)	3,779	(32)	32	(234)	234

The sensitivity factors for 30 June 2017 were +/-10% for price risk, +/-10% for foreign exchange risk and +/-25bps for interest rate risk.

In determining the impact of an increase/decrease in operating profit/(loss) and net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonable possible shift in assumptions.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The Fund's credit risk is minimised by the Investment Manager by monitoring counterparty creditworthiness and only dealing with listed exchanges and internally approved counterparties each with set limits. Internally approved counterparties and the associated credit limits are regularly reviewed and monitored by the Investment Manager.

At 30 June 2018, the Fund is exposed to credit risk on its cash and cash equivalents, receivables and due from brokers. The total carrying amount of financial assets exposed to credit risk amounted to \$48,867,000 (2017: \$56,837,000).

(i) Settlement of securities transactions

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. The Fund minimises concentration of credit risk by undertaking transactions with numerous brokers. The risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. The Fund monitors the credit rating and financial positions of the brokers used to further mitigate credit risk.

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 on purchases of securities only when the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

3 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Cash and cash equivalents

The Fund's cash and cash equivalents are held with State Street Bank and Trust Company, which is rated Aa1 (2017: Aa1) based on rating agency Moody's rating. The Responsible Entity monitors the financial position of State Street Bank and Trust Company on a regular basis.

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's Constitution provides for the daily application and redemptions of units and it is therefore exposed to the liquidity risk of meeting unitholders' redemptions.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place. The risk management guidelines adopted are designed to minimise liquidity risk through:

- Ensuring that there is no significant exposure to illiquid or thinly traded securities at the time of purchase.
- Applying limits to ensure there is no concentration of liquidity risk to a particular counterparty.

(i) Maturities of non-derivative financial liabilities

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

As at 30 June 2018	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	At call \$'000	Total \$'000
Bank overdraft and cash equivalents	-	-	-	37,201	37,201
Due to brokers - payable for securities purchased	312	-	-	-	312
Distributions payable	340	-	-	-	340
Payables	27	-	-	-	27
Net assets attributable to unitholders	-	-	-	45,073	45,073
Contractual cash flows	679	-	-	82,274	82,953

3 Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities (continued)

As at 30 June 2017	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	At call \$'000	Total \$'000
Bank overdraft and cash equivalents	-	-	-	41,044	41,044
Due to brokers - payable for securities purchased	878	-	-	-	878
Distributions payable	676	-	-	-	676
Payables	58	-	-	-	58
Net assets attributable to unitholders	-	-	-	51,625	51,625
Contractual cash flows	1,212	-	-	92,669	94,281

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in statement of financial position are disclosed in the first three columns of the tables below.

	Effects of offsetting on the statement of financial position			Related amount not offset		
	Gross amounts of financial assets \$'000	Gross amounts set off in the statement of financial position \$'000	Net amount of financial assets presented in the statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Collateral pledged/received \$'000	Net amount \$'000
As at 30 June 2018						
Financial assets						
Derivative financial instruments (i)	592	-	592	(515)	-	77
Total	592	-	592	(515)	-	77
Financial liabilities						
Derivative financial instruments (i)	515	-	515	(515)	-	-
Total	515	-	515	(515)	-	-
As at 30 June 2017						
Financial assets						
Derivative financial instruments (i)	619	-	619	(619)	-	-
Total	619	-	619	(619)	-	-
Financial liabilities						
Derivative financial instruments (i)	962	-	962	(619)	-	343
Total	962	-	962	(619)	-	343

(i) Master netting arrangement - not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association ("ISDA") Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in this note.

5 Fair value measurement

The Fund measures and recognises the financial assets and liabilities at fair value on a recurring basis.

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL) (see note 12 and note 13)
- Financial assets / liabilities held for trading (see note 12 and note 13)
- Derivative financial instruments (see note 16)

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

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

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

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

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 of the financial statements.

Financial assets and liabilities are priced at last traded prices.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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

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

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

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 end of the reporting period applicable for an instrument with similar terms and conditions.

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

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

5 Fair value measurement (continued)

(iii) Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2018 and 30 June 2017.

As at 30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets held for trading:				
Options	592	-	-	592
Financial assets designated at fair value through profit or loss:				
Equity securities	33,979	-	-	33,979
Unit trusts	30	-	-	30
Total	<u>34,601</u>	<u>-</u>	<u>-</u>	<u>34,601</u>
Financial liabilities				
Financial liabilities held for trading:				
Options	515	-	-	515
Total	<u>515</u>	<u>-</u>	<u>-</u>	<u>515</u>
As at 30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets held for trading:				
Options	619	-	-	619
Financial assets designated at fair value through profit or loss:				
Equity securities	38,602	-	-	38,602
Total	<u>39,221</u>	<u>-</u>	<u>-</u>	<u>39,221</u>
Financial liabilities				
Financial liabilities held for trading:				
Options	962	-	-	962
Financial liabilities designated at fair value through profit or loss:				
Equity securities	815	-	-	815
Total	<u>1,777</u>	<u>-</u>	<u>-</u>	<u>1,777</u>

The Fund held listed equity securities as at 30 June 2018 and 30 June 2017.

(iv) Transfers between levels

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

There were no transfers between levels in the fair value hierarchy for the years ended 30 June 2018 and 30 June 2017.

5 Fair value measurement (continued)

(v) *Financial instruments not carried at fair value*

The Fund did not hold any financial instruments which were not measured at fair value in the statement of financial position during the year ended 30 June 2018 or year ended 30 June 2017. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate their fair value.

6 Auditor's remuneration

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
Audit and review services		
Audit and audit related services - KPMG		
Financial statements review and audit	10,710	20,630
Compliance plan audit	<u>3,400</u>	<u>2,244</u>
Total remuneration for audit and audit related services	<u>14,110</u>	<u>22,874</u>
Taxation services		
Tax compliance services - KPMG	<u>5,385</u>	-
Total remuneration for taxation services	<u>5,385</u>	-
Total remuneration	<u>19,495</u>	<u>22,874</u>

The Auditor's remuneration is borne by the Responsible Entity.

7 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
	\$'000	\$'000
Net unrealised gains/(losses) on financial instruments held for trading	335	(136)
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	<u>537</u>	<u>2,578</u>
	<u>872</u>	<u>2,442</u>
Net realised gains/(losses) on financial instruments held for trading	(604)	(1,720)
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	<u>3,646</u>	<u>2,158</u>
	<u>3,042</u>	<u>438</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>3,914</u>	<u>2,880</u>

Gains and losses presented above exclude interest income and distribution income.

8 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

On 1 July 2017, the Fund has elected into the AMIT tax regime. The Fund's constitution has been amended and at this point a review of criteria set out in AASB 132 was performed to confirm whether the Fund's net assets attributable to unitholders would have to be classified as equity. The changes to the constitution did not result in the criteria being met and as such the net assets attributable to unitholders would maintain its classification as a financial liability.

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

	Year ended			
	30 June 2018	30 June 2017		
	Units '000	Units '000	\$'000	\$'000
Institutional Class				
Opening balance	44,896	50,908	48,591	52,882
Applications	478	1,055	522	1,144
Redemptions	(5,622)	(9,025)	(6,189)	(9,641)
Units issued upon reinvestment of distributions	2,055	1,958	2,215	2,069
Increase/(decrease) in net assets attributable to unitholders	-	-	(779)	2,137
Closing balance	41,807	44,896	44,360	48,591
Retail Class				
Opening balance	41	39	43	40
Units issued upon reinvestment of distributions	2	2	2	2
Increase/(decrease) in net assets attributable to unitholders	-	-	(2)	1
Closing balance	43	41	43	43
Wholesale Class				
Opening balance	2,832	2,726	2,991	2,773
Redemptions	(2,302)	-	(2,443)	-
Units issued upon reinvestment of distributions	120	106	126	110
Increase/(decrease) in net assets attributable to unitholders	-	-	(4)	108
Closing balance	650	2,832	670	2,991
Total			45,073	51,625

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are two classes of units on issue and all classes of units rank equally and are not subordinate to any other class.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital until 30 June 2017. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

8 Net assets attributable to unitholders (continued)

Capital risk management (continued)

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

9 Distributions to unitholders

	Year ended			
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
Institutional Class				
Distributions paid	1,579	3.6966	1,535	3.2228
Distributions payable	<u>335</u>	<u>0.8004</u>	<u>636</u>	<u>1.4166</u>
Total distributions	<u>1,914</u>	<u>4.4970</u>	<u>2,171</u>	<u>4.6394</u>
Retail Class				
Distributions paid	1	3.5359	1	3.1345
Distributions payable	<u>-</u>	<u>0.7710</u>	<u>1</u>	<u>1.3732</u>
Total distributions	<u>1</u>	<u>4.3069</u>	<u>2</u>	<u>4.5077</u>
Wholesale Class				
Distributions paid	92	3.6404	88	3.1497
Distributions payable	<u>5</u>	<u>0.7778</u>	<u>39</u>	<u>1.3820</u>
Total distributions	<u>97</u>	<u>4.4182</u>	<u>127</u>	<u>4.5317</u>

10 Cash and cash equivalents

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Cash at bank	35,944	53,673
Cash Fund	9,675	-
Margin accounts	<u>2,235</u>	<u>-</u>
Total cash and cash equivalents	<u>47,854</u>	<u>53,673</u>

10 Cash and cash equivalents (continued)

Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Balances as above	47,854	53,673
Bank overdraft	<u>(37,201)</u>	<u>(41,044)</u>
Balances per statement of cash flows	<u>10,653</u>	<u>12,629</u>

(a) Reconciliation to cash and cash equivalents at the end of the year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Bank overdraft

Bank overdraft is payable to State Street Bank and Trust Company, who also act as the Fund's custodian. The interest rate imposed on the overdrawn amount is 3.75% p.a (2017: 3.75% p.a) and no overdraft limit is in place for the Fund.

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

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Increase/(decrease) in net assets attributable to unitholders	(784)	2,247
Distributions to unitholders	2,012	2,300
Distribution income reinvested	(213)	-
Net changes in financial instruments held at fair value through profit or loss	(3,914)	(2,880)
Net foreign exchange (gains)/losses	2,881	(812)
Net change in receivables	(28)	73
Net change in payables	<u>(31)</u>	<u>(13)</u>
Net cash inflow/(outflow) from operating activities	<u>(77)</u>	<u>915</u>
(b) Non-cash operating and financing activities		
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	2,343	2,181
The following purchases of investments were satisfied by participating in dividend and distribution reinvestment plans	<u>213</u>	<u>-</u>
Total non-cash operating and financing activities	<u>2,556</u>	<u>2,181</u>

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

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

12 Financial assets held at fair value through profit or loss

	As at	
	30 June 2018	30 June 2017
	\$'000	\$'000
Held for trading		
Derivatives (note 16)	592	619
Total held for trading	<u>592</u>	<u>619</u>
Designated at fair value through profit or loss		
Equity securities	33,979	38,602
Unit trusts	30	-
Total designated at fair value through profit or loss	<u>34,009</u>	<u>38,602</u>
Total financial assets held at fair value through profit or loss	<u>34,601</u>	<u>39,221</u>

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in note 3.

13 Financial liabilities held at fair value through profit or loss

	As at	
	30 June 2018	30 June 2017
	\$'000	\$'000
Held for trading		
Derivatives (note 16)	515	962
Total held for trading	<u>515</u>	<u>962</u>
Designated at fair value through profit or loss		
Equity securities	-	815
Total designated as at fair value through profit or loss	<u>-</u>	<u>815</u>
Total financial liabilities held at fair value through profit or loss	<u>515</u>	<u>1,777</u>

An overview of the risk exposures relating to financial liabilities held at fair value through profit or loss is included in note 3.

14 Receivables

	As at	
	30 June 2018	30 June 2017
	\$'000	\$'000
Dividends receivable	93	64
Interest receivable	19	21
Other receivables	8	7
Total receivables	120	92

15 Payables

	As at	
	30 June 2018	30 June 2017
	\$'000	\$'000
Management fees payable	23	58
Withholding tax payable	4	-
Total payables	27	58

16 Derivative financial instruments

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

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

16 Derivative financial instruments (continued)

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

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy.

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

The Fund holds the following derivative instruments:

(a) 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.

The Funds derivative financial instruments at year-end are detailed below:

As at 30 June 2018	Contractual/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Options	66,495	592	515
	66,495	592	515

As at 30 June 2017	Contractual/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Options	608	619	962
	608	619	962

17 Related party transactions

Responsible Entity

The Fund was previously known as Denning Pryce Global Income Fund before changing its name to Ironbark Denning Pryce Global Tailored Income Fund on 27 September 2017.

The Responsible Entity of Ironbark Denning Pryce Global Tailored Income Fund is Ironbark Asset Management (Fund Services) Limited (ABN 63 116 232 154) (AFSL 298626). Accordingly, transactions with entities related to Ironbark Asset Management (Fund Services) Limited are disclosed below.

17 Related party transactions (continued)

Responsible Entity (continued)

The former Responsible Entity being One Managed Investments Fund Limited ('OMIFL') advised unitholders 5 September 2017 of its intention to retire as the Responsible Entity of the Fund and have Ironbark Asset Management (Fund Services) Limited ('IBFS') appointed in its place. A unitholder meeting was held on 27 September 2017 where the vote to change the Responsible Entity was passed. The change of Responsible Entity notice was submitted with ASIC and took effect from 27 September 2017.

(a) Key management personnel

The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the key management personnel.

Key management personnel of the Responsible Entity include persons who held office as directors of the Responsible Entity for the period from 1 July 2017 to 27 September 2017.

Frank Tearle
Justin Epstein
Elizabeth Reddy
Sarah Wiesener

The following persons held office as directors of the Responsible Entity of the Fund for the period from 27 September 2017 to the date of this report:

B Carpenter
A Donald
C Larsen

(b) Key management personnel unitholdings

Michael Pryce was a related party until the change in Trustee on 23 September 2017. Key management personnel of the Responsible Entity did not hold units in the Fund for the year ended 30 June 2018.

For the year ended 30 June 2017, key management personnel of the Responsible Entity held units in the Fund as follows:

30 June 2017

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/ payable by the Fund (\$)
Michael Pryce	467,015	486,172	513,349	0.99	19,157	-	21,729

(c) Key management personnel compensation

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

(d) Key management personnel loan disclosures

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

17 Related party transactions (continued)

(e) Other transactions within the Fund

Apart from those details disclosed in this note, the Responsible Entity has not entered into any other material contract with the Fund since the end of the previous financial year and there were no material contracts involving director's interests at year end.

(f) Responsible Entity's fees and other transactions

Management fees

Management fees are calculated in accordance with the Fund's Constitution. For the year ended 30 June 2018, the management fee was 1.230% (2017: 1.230%) for the retail class, 0.923% (2017:0.923%) for the wholesale class and 0.615% (2017: 0.615%) for the institutional class per annum of the net asset value of the Fund, inclusive of the net effect of GST.

Balances with related parties

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	30 June 2018	30 June 2017
	\$	\$
Management fees for the year	308,740	349,717
Aggregate amounts payable to the Responsible Entity at the reporting date	22,901	57,817

(g) Related party unitholdings

Parties related to the Fund including the Responsible Entity, its related parties and other funds managed by the Responsible Entity, did not hold any units in the Fund as at 30 June 2018 (2017: Nil).

(h) Investments

The Fund did not hold any investments in the Responsible Entity or its related parties during the year (2017: Nil).

18 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

19 Contingent assets and liabilities and commitments

There were no outstanding contingent assets and liabilities or commitments as at 30 June 2018 and 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 34 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) Note 2(a) confirms that the financial statements 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 for and on behalf of the Responsible Entity.



Director

Sydney
25 September 2018



Independent Auditor's Report

To the unitholders of Ironbark Denning Pryce Global Tailored Income Fund
(formerly Denning Pryce Global Income Fund)

Opinion

We have audited the **Financial Report** of Threadneedle Global Equity Income Fund (Unhedged) (the Fund).

In our opinion, the accompanying Financial Report of the Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Fund's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2018
- Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Other Matter

We draw attention to the fact that the comparative information as at and for the year ended 30 June 2017 included in the accompanying Statement of financial position of the Fund, the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows, and accompanying notes was audited by another firm and as such we do not express an opinion on it.

Other Information

Other Information is financial and non-financial information in the Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Ironbark Asset Management (Fund Services) Ltd (the Responsible Entity) are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' report.



Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern assumption is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

KPMG

David Kells
Partner
Sydney
25 September 2018