



# SOLARIS AUSTRALIAN EQUITY LONG SHORT FUND

ARSN: 618 962 995

Annual Report - 28 February 2017 to 30 June 2018

# **Solaris Australian Equity Long Short Fund**

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**Financial report - 28 February 2017 to 30 June 2018**

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## Financial report - 28 February 2017 to 30 June 2018

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These financial statements cover the Solaris Australian Equity Long Short Fund as an individual entity.

The Responsible Entity of the Solaris Australian Equity Long Short Fund is Pinnacle Fund Services Limited (ABN 29 082 494 362). The Responsible Entity's registered office is Level 19, 307 Queen Street, Brisbane, QLD 4000.

## **Directors' report**

The directors of Pinnacle Fund Services Limited, the Responsible Entity of the Solaris Australian Equity Long Short Fund ("the Fund"), present their report together with the financial statements of the Fund for the period 28 February 2017 to 30 June 2018.

The Fund was constituted on 22 November 2016, registered on 19 May 2017 and commenced trading activities on 28 February 2017. Hence, there are no prior period comparatives. Accordingly this financial report reflects the results of the Fund's activities from 28 February 2017 to 30 June 2018.

### **Principal activities**

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

The Fund provides the investor with an opportunity to invest in a fundamental style neutral Australian equity long short product. The Fund will maintain a net exposure of 70% - 100%, with the proceeds from shorting (40% maximum) reinvested in preferred long positions in order to enhance returns. The investment objective of the Fund is to achieve returns that exceed the S&P/ASX200 Accumulation Index by taking both long and short positions in selected shares listed on a recognised Australian exchange. The portfolio will typically consist of 40 - 70 long ideas and 20 - 30 short ideas. The Fund may be suitable for investors with an investment horizon of 3 to 5 years, and seek capital growth and income via exposure to Australian stocks and are willing to accept the short-term fluctuations in price typically associated with such investments.

Solaris Investment Management Limited is the Investment Manager of the Fund.

The Fund did not have any employees during the period.

### **Directors**

The following persons held office as directors of Pinnacle Fund Services Limited during the period or since the end of the period and up to the date of this report:

Mr I Macoun  
Mr A Ihlenfeldt  
Mr A Findlay (resigned 29 March 2018)  
Mr C Kwok  
Mr T O'Callaghan (appointed 29 March 2018)

The Responsible Entity also has a Compliance Committee consisting of one non-independent person and two independent persons. The committee's role is to oversee the compliance requirements of the Fund operated by the Responsible Entity. The committee met four times during the financial period under review.

### **Review and results of operations**

There have been no significant changes to the operations of the Fund since inception.

The Fund invests funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

## Directors' report (continued)

### Review and results of operations (continued)

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

	28 February 2017 to 30 June 2018 \$'000
Net operating profit/(loss)	2,098
 <b>Distributions</b>	
Distributions paid and payable	218
Distribution (cents per unit)	2.1615

### Significant changes in state of affairs

The Fund has amended its Constitution to change the obligation to distribute trust income to unitholders effective 1 July 2017 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust (AMIT) tax regime.

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 period.

### Matters subsequent to the end of the financial 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 periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Fund in future financial periods.

### 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.

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

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

### Indemnification and insurance of officers and auditors

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

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

### **Indemnification and insurance of officers and auditors (continued)**

The auditors of the Fund are not indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in note 16 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 16 to the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the period is disclosed in note 15 to the financial statements.

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

### **Environmental regulation**

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

### **Rounding of amounts to the nearest thousand dollars**

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

### **Auditor's independence declaration**

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

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



Mr A Ihlenfeldt  
Director

Brisbane  
20 September 2018



## *Auditor's Independence Declaration*

As lead auditor for the audit of Solaris Australian Equity Long Short Fund for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

Ben Woodbridge  
Partner  
PricewaterhouseCoopers

Brisbane  
20 September 2018

**Solaris Australian Equity Long Short Fund**  
**Statement of comprehensive income**  
**For the period 28 February 2017 to 30 June 2018**

**Statement of comprehensive income**

	Notes	28 February 2017 to 30 June 2018 \$'000
<b>Investment income</b>		
Interest income from financial assets not held at fair value through profit or loss		7
Dividend/Trust distribution income	5	399
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	2,082
Other operating income		<u>1</u>
<b>Total net investment income</b>		<u>2,489</u>
<b>Expenses</b>		
Management fees	16	79
Short selling expenses		110
Transaction costs		45
Performance fees		<u>157</u>
<b>Total operating expenses</b>		<u>391</u>
<b>Operating profit/(loss)</b>		<u>2,098</u>
Other comprehensive income		<u>-</u>
<b>Total comprehensive income</b>		<u>2,098</u>

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



**Solaris Australian Equity Long Short Fund**  
**Statement of financial position**  
**As at 28 February 2017 to 30 June 2018**

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**Statement of financial position**

	Notes	As at 30 June 2018 \$'000
<b>Assets</b>		
Cash and cash equivalents	9	670
Receivables	12	451
Financial assets held at fair value through profit or loss	10	<u>29,926</u>
<b>Total assets</b>		<u>31,047</u>
<b>Liabilities</b>		
Distributions payable	8	193
Payables	13	441
Financial liabilities held at fair value through profit or loss	11	<u>7,675</u>
<b>Total liabilities</b>		<u>8,309</u>
<b>Net assets attributable to unitholders - equity*</b>	15	<u>22,738</u>

\*Net assets attributable to unitholders are classified as equity at 30 June 2018. Refer to note 1 for further detail.

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

Solaris Australian Equity Long Short Fund  
Statement of changes in equity  
For the period 28 February 2017 to 30 June 2018

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**Statement of changes in equity**

	Notes	28 February 2017 to 30 June 2018 \$'000
<b>Total equity at the beginning of the financial period</b>		-
<b>Comprehensive income for the financial period</b>		
Profit/(loss) for the period		2,098
Other comprehensive income		-
<b>Total comprehensive income for the financial period</b>		<u>2,098</u>
<b>Transactions with unitholders</b>		
Applications	15	21,129
Redemptions	15	(284)
Units issued upon reinvestment of distributions	15	13
Distributions paid and payable	15	(218)
<b>Total transactions with unitholders</b>		<u>20,640</u>
<b>Total equity at the end of the financial period</b>		<u>22,738</u>

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

Solaris Australian Equity Long Short Fund  
Statement of cash flows  
For the period 28 February 2017 to 30 June 2018

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**Statement of cash flows**

	Notes	28 February 2017 to 30 June 2018 \$'000
<b>Cash flows from operating activities</b>		
Purchase of financial instruments held at fair value through profit or loss		(20,012)
Transaction costs on financial instruments held at fair value through profit or loss		(45)
Dividend/Trust distribution received		209
Interest received		7
Other income received		3
Management fees paid		(33)
Dividend paid on short selling		(90)
Performance fees paid		(23)
RITC paid		(20)
<b>Net cash inflow/(outflow) from operating activities</b>	17(a)	<b>(20,004)</b>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders		20,937
Payments for redemptions by unitholders		(252)
Distributions paid		(11)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>20,674</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>670</b>
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	17(b), 9	<b>670</b>
Non-cash financing activities	17(c)	<b>13</b>

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

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## **1 General information**

These financial statements cover the Solaris Australian Equity Long Short Fund ("the Fund") as an individual entity. The Fund was constituted on 22 November 2016 and registered on 19 May 2017. The Fund will terminate on the 22 November 2096 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is Pinnacle Fund Services Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, 307 Queen Street Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

The Custodian of the Fund is RBC Investor Services Trust.

The financial statements were authorised for issue by the directors on 20 September 2018. The directors of the Responsible Entity have the power to amend the financial statements after they have been issued.

### *Reclassification of units from financial liability to equity*

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Law Amendment (New Tax System for Management Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MIT that meets 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 written to adopt the AMIT tax regime have been met effective from the Fund's inception. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently, the units in the Fund have been reclassified from a financial liability to equity from the Fund's inception, see note 15 for further information.

## **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, 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 and the *Corporations Act 2001* in Australia. The Solaris Australian Equity Long Short Fund is a for-profit unit trust 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 twelve months, except for investments in financial assets and liabilities at fair value through profit or loss 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 twelve months, however, an estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemed 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 twelve months cannot be reliably determined.

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

### **(a) Basis of preparation (continued)**

#### *(i) Compliance with International Financial Reporting Standards*

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

#### *(ii) New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 25 February 2017 that have a material impact on the Fund.

The amendments made by AASB 2016-2 *Amendments to Australian Accounting Standard - Disclosure Initiative: Amendments to AASB 107* require disclosure of changes in liabilities arising from financing activities. The relevant information is provided in note 15.

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

#### *(i) Classification*

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

- Financial instruments held for trading

Derivative financial instruments such as futures are included under this classification. 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 that are not held for trading purposes and which may be sold. These are investments in exchange traded equity instruments and listed unit trusts.

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.

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

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the period the asset is derecognised as realised gains or losses on financial instruments.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iii) Measurement

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

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 in the statement of comprehensive income. 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.

Further details on how the fair values of financial instruments are determined are disclosed in note 4 to the financial statements.

#### (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.

### (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 can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the unitholder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

The Fund's units have been classified as a financial equity from the financial period beginning from 28 February 2017 as they satisfy the above criteria.

### (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 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 current liabilities in the statement of financial position.

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

### **(d) Cash and cash equivalents (continued)**

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) Margin accounts**

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

### **(f) Investment income**

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. 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 net of any related foreign withholding tax.

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 period end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend income.

### **(g) Expenses**

All expenses, including manager's fees, are recognised in the statement of comprehensive income on an accruals basis.

### **(h) Income tax**

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to unit holders.

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

### **(i) Distributions**

The Fund distributes its distributable income adjusted for amounts determined by the Responsible Entity in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. As a result of the reclassification of net assets attributable to unitholders from liability to equity, the Fund's distributions are no longer classified as finance costs in the statement of comprehensive income, but rather as distributions paid/payable in the statement of changes in equity. Unrealised gains and losses on financial assets and liabilities held of trading that recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains.

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

It is recognised in distributions paid/payable in the statement of changes in equity. The relevant information is provided in note 15.



## 2 Summary of significant accounting policies (continued)

### (k) Foreign currency translation

#### *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.

### (l) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the period. 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. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

### (m) Receivables

Receivables may include amounts for dividends, interest and trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(f). 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 financial year, 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.

### (n) Payables

Payables include liabilities, amounts due to brokers and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the reporting period is recognised separately in the statement of financial position.

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

### **(o) Applications and redemptions**

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

Unit redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue.

### **(p) Goods and Services Tax (GST)**

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

### **(q) Use of estimates**

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

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more information on how fair value is calculated please see note 4 to the financial statements.

### **(r) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2017 to 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

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

*AASB 9 Financial Instruments* 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 have assessed the impact of AASB 9 on the Fund's financial statements. There are no investments which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income ('FVOCI'), the adoption of AASB 9 is not expect 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.

## 2 Summary of significant accounting policies (continued)

### (r) New accounting standards and interpretations (continued)

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

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 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 interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of 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.

### (s) Rounding of amounts

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

## 3 Financial risk management

### (a) Objectives, strategies, policies and processes

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Responsible Entity ("the Board").

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

### (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 of three types of risks: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Fund's direct investments and not on a look-through basis for investments held in the Fund.

#### (i) Price risk

Equity price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

Equity price risk exposure arises from the Fund's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager manages price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Fund's overall market positions are monitored on a daily basis by the Fund's Investment Manager and are reviewed at least quarterly by the Board.

Compliance with the Fund's Product Disclosure Statement is reported to the Board on a quarterly basis.

Net assets attributable to unitholders include investments in equity securities. At 30 June 2018, the overall market exposures were as follows:

	As at 30 June 2018 \$
Securities designated at fair value through profit or loss	22,247

At 30 June 2018, if the equity prices had increased by 10% with all other variables held constant, this would have increased net assets attributable to unitholders (and net operating profit/(loss)) by approximately \$2,224,721. Conversely, if the equity prices had decreased by 10%, this would have decreased net assets attributable to unitholders (and net operating profit/(loss)) by approximately \$2,224,721.

#### (ii) Foreign exchange risk

The Fund is not exposed to significant risks from movements in foreign exchange rates as there are no financial assets and liabilities denominated in foreign currencies.

#### (iii) Cash flow and fair value interest rate risk

The majority of the Fund's financial assets and liabilities are non interest bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or reprice in the short-term, no longer than twelve months. As a result, the Fund is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

#### (c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Fund holds no collateral as security or any other credit enhancements. 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.

There are no material concentrations of credit risk at 30 June 2018.

### 3 Financial risk management (continued)

#### (d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash, as the majority are listed on the ASX. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund's Constitution provides for daily application and redemption of units and it is therefore exposed to liquidity risk of meeting unitholder redemptions at any time.

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's liquidity position on a daily basis. The Fund's policy is reviewed annually.

#### *Maturity analysis for 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 the end of the reporting period 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 Board of Directors 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.

<b>At 30 June 2018</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>3-12 months \$'000</b>	<b>12-60 months \$'000</b>
Distributions payable	193	-	-	-
Redemptions payable	32	-	-	-
Due to brokers - payable for securities purchased	208	-	-	-
Accrued expenses	182	-	-	-
Other payables	19	-	-	-
Financial liabilities held at fair value through profit or loss	<u>7,675</u>	-	-	-
<b>Contractual cash flows (excluding derivatives)</b>	<u>8,309</u>	-	-	-

#### **4 Fair value measurements**

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

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL)
- Financial assets / liabilities held for trading

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

##### **(a) Fair value hierarchy**

###### *Classification of financial assets and financial liabilities*

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. This aligns with the AASB13 requirements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, 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. 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 values 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 (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.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

## 4 Fair value measurements (continued)

### (a) Fair value hierarchy (continued)

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

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 reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The foreign currency contracts are valued at the forward rate.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such trusts.

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.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

#### Recognised fair value measurements

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2018:

As at 30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets held for trading:				
Futures	4	-	-	4
Financial assets designated at fair value through profit or loss:				
Listed equities	26,600	-	-	26,600
Listed unit trusts	3,322	-	-	3,322
<b>Total assets</b>	<b>29,926</b>	<b>-</b>	<b>-</b>	<b>29,926</b>
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss:				
Listed equities	6,939	-	-	6,939
Listed unit trust	736	-	-	736
<b>Total liabilities</b>	<b>7,675</b>	<b>-</b>	<b>-</b>	<b>7,675</b>

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

## 5 Dividend/Trust distribution income

	28 February 2017 to 30 June 2018 \$'000
Dividends	339
Trust distributions	60
<b>Total dividend/trust distribution income</b>	<b>399</b>

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

	27 February 2017 to 30 June 2018 \$'000
<b>Financial assets</b>	
Net unrealised gain/(loss) on financial assets held for trading	4
Net unrealised gain/(loss) on financial assets designated at fair value through profit or loss	1,661
Net realised gain/(loss) on financial assets held for trading	35
Net realised gain/(loss) on financial assets designated as at fair value through profit or loss	382
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>2,082</b>

## 7 Auditor's remuneration

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

	27 February 2017 to 30 June 2018 \$
<b>PwC Australian firm</b>	
<b><i>Audit and other assurance service</i></b>	
Audit and review of financial statements	12,782
Audit of compliance plan	2,790
<b>Total remuneration of audit services</b>	<b>15,572</b>
<b><i>Taxation services</i></b>	
Tax compliance services	6,260
<b>Total remuneration for taxation services</b>	<b>6,260</b>
<b>Total remuneration of PwC</b>	<b>21,832</b>



## 7 Auditor's remuneration (continued)

The fees for audit and non audit services (principally tax advice) are paid by the Investment Manager out of the management fee that they earn.

## 8 Distributions to unitholders

The distributions were paid/payable as follows:

	28 February 2017 to 30 June 2018 \$'000	28 February 2017 to 30 June 2018 CPU
<b>Distributions</b>		
Distributions paid - June 2017	9	0.7058
Distributions paid - December 2017	16	0.3582
Distributions payable - June 2018	<u>193</u>	<u>1.0975</u>
	<u>218</u>	<u>2.1615</u>

## 9 Cash and cash equivalents

	As at 30 June 2018 \$'000
Cash at bank	<u>670</u>
<b>Total cash and cash equivalents</b>	<u>670</u>

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

	As at 30 June 2018 \$'000
<b>Held for trading</b>	
Futures	<u>4</u>
<b>Total held for trading</b>	<u>4</u>
<b>Designated at fair value through profit or loss</b>	
Listed equities	26,600
Listed unit trusts	<u>3,322</u>
<b>Total designated at fair value through profit or loss</b>	<u>29,922</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>29,926</u>

## 10 Financial assets held at fair value through profit or loss (continued)

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

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

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Designated at fair value through profit or loss</b>		
Listed equities	6,939	-
Listed unit trusts	736	-
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>7,675</b>	<b>-</b>

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

## 12 Receivables

	As at 30 June 2018 \$'000
Applications receivable	192
Accrued income	190
GST receivable	19
Due from brokers - receivable for securities sold	50
<b>Total receivables</b>	<b>451</b>

## 13 Payables

	As at 30 June 2018 \$'000
Redemptions payable	32
Due to brokers - payable for securities purchased	208
Accrued expenses	182
Other payables	19
<b>Total payables</b>	<b>441</b>

## 14 Derivative financial instruments

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

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

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

- hedging to protect an asset or liability of the Fund against a fluctuation in market values 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 holds the following derivative instruments:

### Futures

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

The Fund's derivative financial instruments at 30 June 2018 are detailed below:

#### As at 30 June 2018

	Contract / notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Futures	523	4	-

An overview of the risk exposure relating to derivatives is included in note 3.

## 15 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.

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

	As at	
	30 June 2018	30 June 2018
<b>Net assets attributable to unitholders</b>	<b>No.'000</b>	<b>\$'000</b>
Opening balance	-	-
Applications	17,822	21,129
Redemptions	(228)	(284)
Units issued upon reinvestment of distributions	12	13
Distributions paid and payable	-	(218)
Profit/(loss) for the period	-	2,098
Closing balance	<u>17,606</u>	<u>22,738</u>

\*Net assets attributable to unitholders are classified as equity at 30 June 2018. refer to note 1 for further detail.

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

### Capital risk management

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.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund's strategy was to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents and listed equities. 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.

## 16 Related party transactions

### Responsible entity

The Responsible Entity of the Solaris Australian Equity Long Short Fund is Pinnacle Fund Services Limited.

Pinnacle Investment Management Limited is the parent company of Pinnacle Fund Services Limited. Pinnacle Investment Management Group Limited is the ultimate holding company of Pinnacle Fund Services Limited.

Solaris Investment Management Limited is the Investment Manager of the Fund.

### Key management personnel

#### Directors

Key management personnel includes persons who were directors of Pinnacle Fund Services Limited and Pinnacle Investment Management Limited at any time during the financial period as follows:

Pinnacle Fund Services Limited

Mr I Macoun  
Mr A Ihlenfeldt  
Mr A Findlay (resigned 29 March 2018)  
Mr C Kwok  
Mr T O'Callaghan (appointed 29 March 2018)

Pinnacle Investment Management Limited

Mr I Macoun  
Mr A Ihlenfeldt  
Ms E Padman

#### Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial period.

### Management fees and other transactions

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

	28 February 2017 to 30 June 2018 \$
Management fees for the period paid/payable by the Fund	78,787
Performance fees for the period paid/payable by the Fund	157,188
Aggregate amount payable to the Investment Manager at the reporting date	175,993

## 16 Related party transactions (continued)

The management fee of 0.99% is calculated daily based on the net asset value of the Fund. The performance fee of 15% of the Fund's excess return versus its benchmark, S&P/ASX200 Accumulation Index, is calculated net of management fee.

Responsible Entity fees are paid by the Investment Manager out of the fees that they earn.

### Related party unitholdings

Parties related to the Fund (including Pinnacle Fund Services Limited, its related parties and other schemes managed by Pinnacle Fund Services Limited), held units in the Fund as follows:

#### 2018

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 (\$)
Pinnacle Services Administration Pty Ltd	503,433	511,866	659,795	2.90	8,434	-	-

### Investments

The Fund did not hold any investments in Pinnacle Fund Services Limited or its related parties during the period.

### Key management personnel compensation

Key management personnel of Pinnacle Fund Services Limited are paid by Pinnacle Services Administration Pty Ltd. Payments made from the Fund to Pinnacle Fund Services Limited do not include any amounts directly attributable to key management personnel remuneration.

### Key management personnel loan disclosures

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

### Other transactions within the Fund

From time to time directors of Pinnacle Fund Services Limited, or their director related entities, may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors and are not material in nature.

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

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

	28 February 2017 to 30 June 2018 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>	
Net profit/(loss) for the period	2,098
Purchase of financial instruments held at fair value through profit or loss	(20,012)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(2,082)
Net change in other receivable	(19)
Net change in dividends/distributions receivable	(190)
Net change in payables and other liabilities	<u>201</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(20,004)</u>
<b>(b) Cash and cash equivalents</b>	
Cash at bank	<u>670</u>
	<u>670</u>
<b>(c) Non-cash financing activities</b>	
Distributions reinvested	<u>13</u>
	<u>13</u>

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 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018.

## 19 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 at 30 June 2018 or on the results and cash flows of the Fund for the period ended on that date.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 29 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with 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 period 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.



Mr A Ihlenfeldt  
Director

Brisbane  
20 September 2018





## *Independent auditor's report*

To the unitholders of Solaris Australian Equity Long Short Fund

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### *Our opinion*

In our opinion:

The accompanying period report of Solaris Australian Equity Long Short Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

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### *Other information*

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Director's report for the year ended 30 June 2018, including the Director's report, but does not include the annual report and our auditor's report thereon.

Our opinion on the annual 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 annual report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual 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 the directors of the Responsible Entity for the annual report*

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

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



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### *Auditor's responsibilities for the audit of the annual report*

Our objectives are to obtain reasonable assurance about whether the annual 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 annual report.

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

A large, stylized handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature of 'Ben Woodbridge' in black ink.

Ben Woodbridge  
Partner

Brisbane  
20 September 2018