



ABN 89 008 108 227

IRONBARK CAPITAL LIMITED

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Contents

	Page
Results for Announcement to the Market	1
Chairman's Commentary	2
Investment Manager Report	4
Appendix 4E - Financial Statements	8
Independent Audit Report	32

RESULTS FOR ANNOUNCEMENT TO THE MARKET YEAR ENDED 30 JUNE 2017

This report is based on audited financial statements. The previous corresponding period is the year ended 30 June 2016.

Revenue and Profit	2017 \$'000		% Change
Investment revenue from ordinary activities	6,017	Up	24,971%
Net profit after income tax expense	4,556	Up	1,096%

Earnings	2017 \$'000		% Change
Earnings per share	3.55	Up	1,124%

Net Tangible Asset Backing per share (NTA)	30-Jun-17		% Change
NTA before provision for tax on unrealised gains	\$ 0.528	Up	1.5%
NTA after provision for tax on unrealised gains	\$ 0.538	Down	-0.4%
The NTA is after 3.0 cents per share of fully franked dividends paid in the period			

Dividend Information	2017 Cents per share		% Change
Interim Dividends - fully franked at 30% tax rate	1.95	Up	160%
Final Dividend - fully franked at 30% tax rate	1.05	Up	133%

The Dividend Reinvestment Plan remains suspended.

Chairman's Commentary

The 2017 year was a good year for Ironbark for investment performance and results.

Investment Performance

The Ironbark Capital Limited ("Ironbark") portfolio returned a pleasing 11.13% for the year inclusive of franking credits, outperforming the benchmark (one year swap interest rate plus 6%) by 3.37%. The Ironbark performance reflects the Investment Manager's absolute return focus and income emphasis. The performance was achieved with a portfolio that has a much lower volatility than the market. The portfolio's exposure to hybrids, utilities and written call options over selective stocks contributed to the positive result. As a comparison, the ASX300 Accumulation Index inclusive of franking returned 14.5% but with more than double the volatility of the Ironbark portfolio.

NTA after provision for tax on unrealised losses was \$0.538, compared to \$0.540 from the previous period. The NTA is after a 3.0 cents per share fully franked dividend paid in the period. The minimisation of the share price discount to NTA and the payment of fully franked dividends continue to be the Directors' focus.

Results for the Full Year

The positive performance of the portfolio contributed to the \$4.56m profit for the year, an increase of \$4.18m on the previous corresponding year. Income from the trading portfolio was \$6.02m, up \$6.00m on the corresponding period's negative income of \$0.34m which was due to unrealised losses.

2017 saw a continuing reduction in the MER from 0.86% in the prior year to 0.77% in the current year, assisted by the increase in the average funds under management following the capital raising.

Dividends

Ironbark distributed fully franked dividends of 3.0 cents per share in FY17 as corporate profits created the opportunity to do so. The profit results and accumulated franking credits allowed Ironbark to declare three fully franked dividends in February 2017, December 2016, as well as in August 2016 to supplement the dividend paid in June 2016 which was restricted due to lack of accounting profits.

Ironbark has declared a fully franked dividend of 0.75 cents per share out of the Profit Reserve as at 31 July 2017 payable 20 September 2017. Based on current legislation, this dividend will be franked at the 27.5% tax rate. As Ironbark has a policy of distributing the majority of franking credits received each year as fully franked dividends, there is minimal adverse impact due to the change of rate in the 2018 financial year.

Non-Renounceable Entitlement Offer

The 1:8 non-renounceable Entitlement Offer at a price of \$0.45 announced in March 2017 closed on 24 April 2017 attracting strong support. The Entitlement Offer raised \$5.2 million with a 73% take-up by eligible shareholders. The Offer was not underwritten and there was no associated shortfall offer.

Ironbark Corporate Outlook

There continues to be capital raising activity in the LIC sector with their growing appeal particularly to SMSF investors.

The Directors have a policy of every three years offering Shareholders the opportunity to obtain the full value of their shares. On this basis, it is anticipated that the next Tender Offer would be during the second half of calendar 2018.

We uphold our view that there continues to be investor demand for a low volatility, absolute return and fully franked dividend focussed investment portfolio offered in a LIC structure.

Conclusion

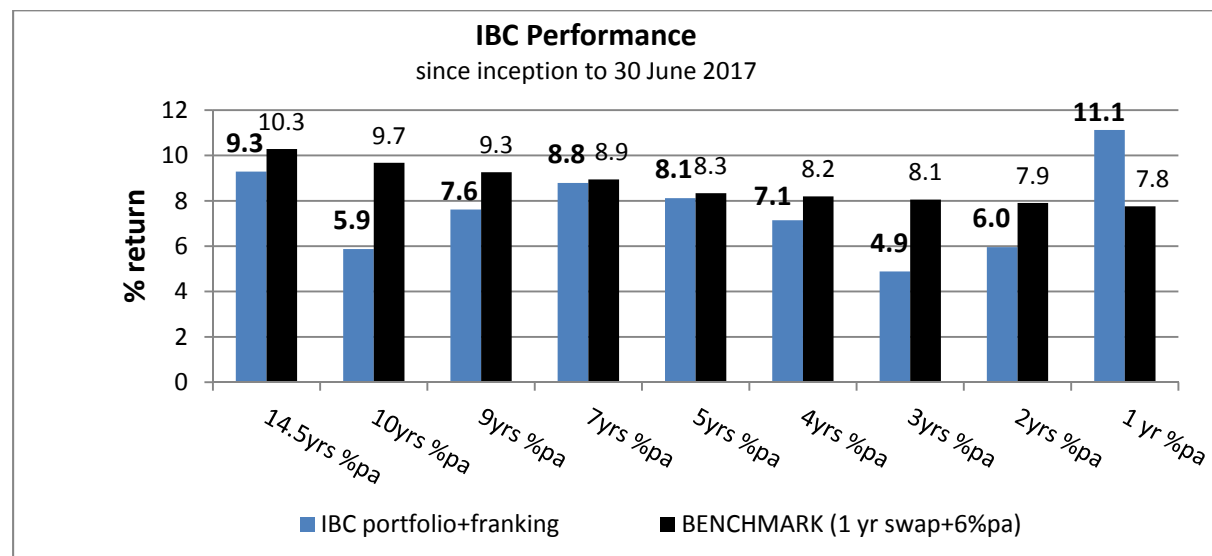
The Directors will continue to set a policy direction for Ironbark consistent with our view of the best opportunities for the company in the current investment climate.

Michael J Cole
Chairman

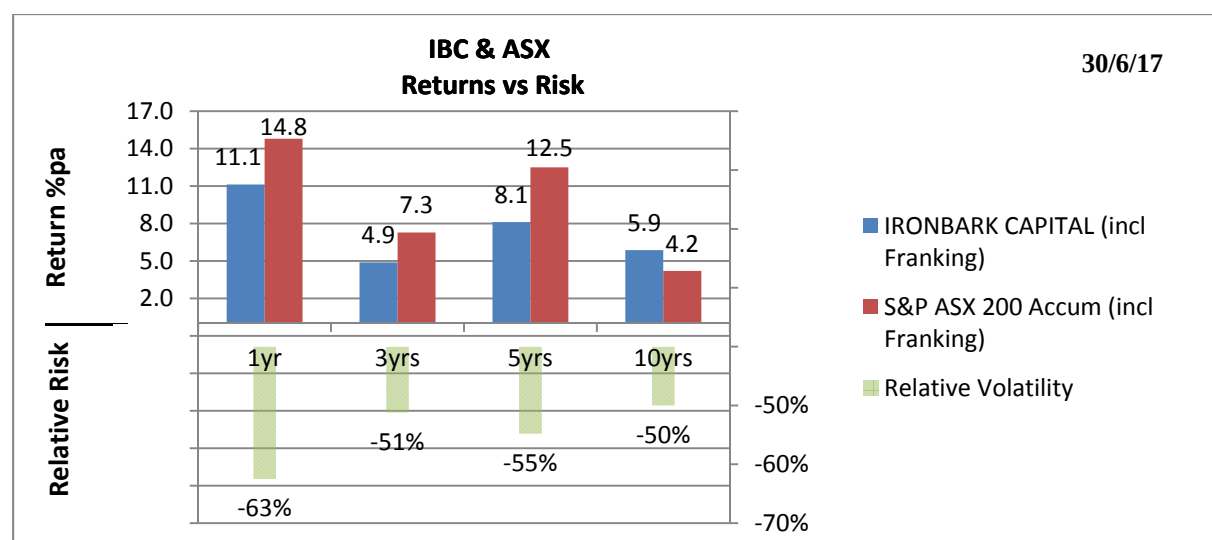
Investment Manager Report

The manager's focus is to deliver consistent returns and a high fully franked dividend yield from the portfolio. Commensurate with its investment objective IBC's performance benchmark is the 1 year swap rate plus 6%. Performance measurement includes franking credits as franking credits are a significant source of return from IBC's hybrid investments and for shareholders.

IBC recorded a portfolio return of 11.1% over the financial year outperforming its benchmark return of 7.8%. Since inception, over 14.5 years including two years of the disastrous GFC, the portfolio achieved a return of 9.3%pa with risk measuring approximately 50% of equity market risk.



IBC's focus on income generation and capital preservation from a balanced portfolio structure has delivered superior risk adjusted returns compared to the equity market. Over the 10 year period the portfolio's return of 5.9%pa exceeded the ASX200 Accumulation Index return inclusive of franking credits of 4.2%pa. IBC's return was achieved with half of the equity market risk measured in terms of volatility. In the most recent year a return of 11.1% was delivered with 63% less risk than the equity market.



Portfolio

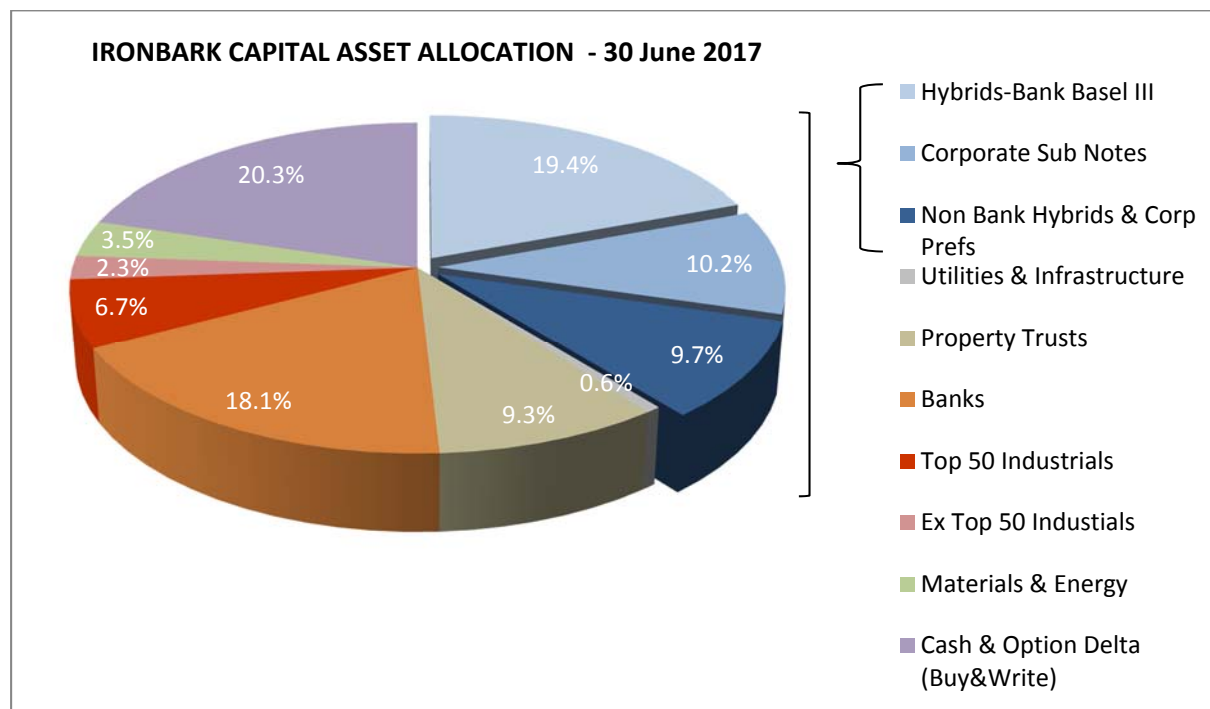
The portfolio is structured with an emphasis on income through yield orientated securities (hybrids and corporate bonds, utilities, property trusts) and buy & write positions in Banks, BHP, Telstra and other leading companies. The portfolio's running yield was 6.5% inclusive of franking credits.

The buy & write strategy involves buying selective shares and selling, subject to appropriate timing, call options over those shares. This strategy gives away some of the upside potential from a shareholding but generates option premium income consistent with the income emphasis of the portfolio.

The portfolio is diversified across 33 different entities. Higher risk exposures in banks, industrials and resources are largely held through buy & write option positions for income enhancement or added protection. The portfolio's hybrid and corporate bond holdings are floating rate securities with little duration risk.

Approximately 39% of the portfolio was held in hybrids and corporate bonds and 28% in buy & writes in Banks, Telstra and BHP. The balance is represented by: 9.3% in property trusts, 2.3% in mid-cap and small companies, 0.6% in utilities and 20% held in cash & option delta.

Asset allocation reflects a cautious stance.



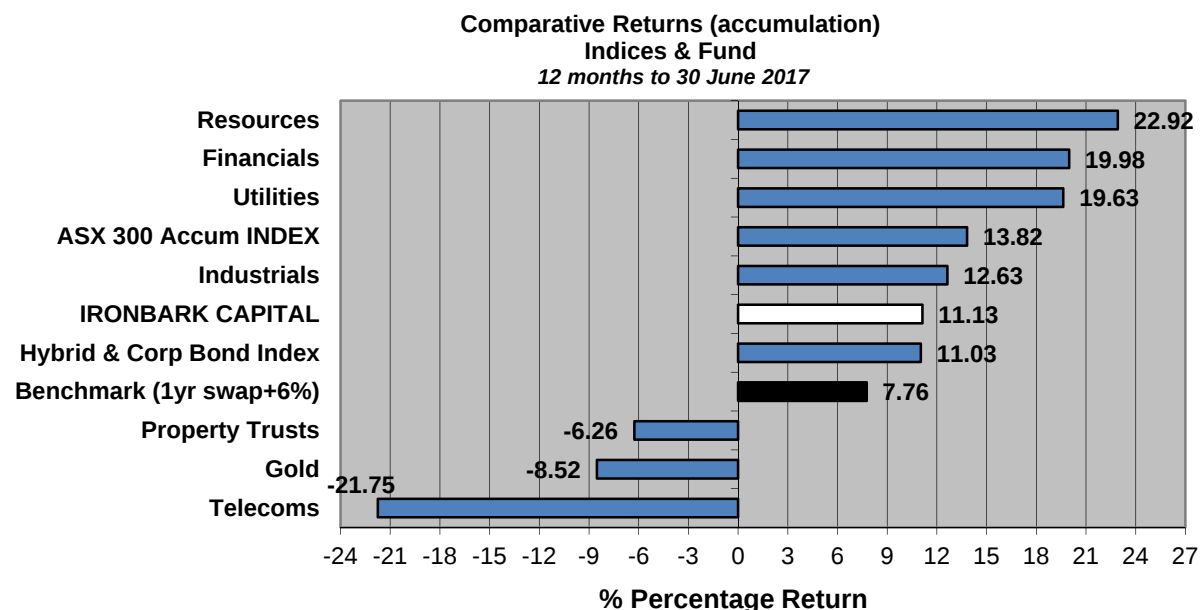
Portfolio Performance

The portfolio produced a very good return of 11.1% for the financial year. Both corporate credit and equity markets rallied strongly. The ASX listed hybrid and corporate bond Index advanced 11.03% (inclusive of franking credits) led by Bank Basel III hybrids with a gain of 12.15% and corporate bonds 10.4%. By contrast the 10 year government bond market declined -3.5% with yields rising from 1.99% to 2.55%. The floating rate nature of the hybrid market ensured capital stability under rising bond yields and the lack of new supply helped compress trading margins. New issuance was largely confined to re-investment of the maturing bank hybrids. The corporate bond market was tight with maturities not being replaced and few new issuers. Bank capital ratios have approached 'unquestionably strong levels' to the benefit of hybrid and bond holders. The portfolio participated in primary market issuance of replacement and new hybrid and corporate bond securities and maintained its 40% weighting over the year.

The ASX 300 Accumulation Index gained 13.82%. Buy & writes in the banks, Telstra and BHP comprised 40% of the physical portfolio reducing to 28% net exposure after adjusting for option delta. The -17% decline in Telstra dampened the strong gain from BHP and the banks that rallied 28% and 20% respectively. Telstra's physical weighting was reduced over the year from 14% to 9% and to 6.7% after option delta.

Strong returns were delivered by utilities with returns of 25% for Duet Group and 13% for Spark Infrastructure. Duet was profitably exited under takeover reducing the weighting to utilities from 3.2% to 0.6%.

Property Trust exposure was increased from 1.2% to 9.3% over the year with the portfolio taking advantage of the more favourable pricing environment and good distribution yields. Returns from the portfolio's investments were positive compared to losses recorded by the property trust sector index. Cash exposure (including option delta) was 20% at the end of the period reflecting the manager's cautious outlook.



Kaplan Funds Management

Ironbark Capital Limited
ABN 89 008 108 227
Portfolio Shareholdings as at 30 June 2017

ASX Code	Security	Market Value* \$'000	% of portfolio	% exposure**
Banks				
ANZ	ANZ Banking Group Limited	3,094	4.3	3.0
CBA	Commonwealth Bank of Australia Limited	6,752	9.4	5.5
CYB	CYBG PLC	82	0.1	0.1
NAB	National Australia Bank Limited	2,436	3.4	2.7
WBC	Westpac Banking Corporation Limited	6,147	8.7	6.7
		18,511	25.9	18.0
Hybrids & Corporate Bonds				
AGLHA	AGL Energy Limited - Subordinated Notes	843	1.2	1.2
AMPPA	AMP Limited Capital Note	318	0.4	0.4
ANZPG	ANZ Banking Group Limited Capital Note	733	1.0	1.0
AQHHA	APA Group - Subordinated Notes	1,028	1.4	1.4
BENPD/PE	Bendigo Bank - Convertible Preference Securities	957	1.3	1.3
BOQPD	Bank of Queensland - Convertible Preference Securities	833	1.2	1.2
CBAPC/PD	Commonwealth Bank Capital Notes	2,826	4.0	4.0
CGFPB	Challenger Limited Capital Note	518	0.7	0.7
CTXHA	Caltex Australia Limited - Subordinated Notes	1,916	2.7	2.7
CWNHA/HB	Crown Limited- Subordinated Notes	1,602	2.2	2.2
IAGPD	Insurance Australia Group Capital Note	2,663	3.7	3.7
IANG	Insurance Australia Group - Perpetual Reset Exchangeable Notes	2,588	3.6	3.6
MQGPB	Macquarie Group Limited Capital Note	646	0.9	0.9
NABPA/PD	National Australia Bank Limited - Convertible Preference Securities	2,961	4.1	4.1
QUBHA	Qube Holdings Limited - Subordinated Notes	1,955	2.7	2.7
RHCPA	Ramsay Healthcare Limited - Perpetual Preference Securities	604	0.8	0.8
SUNPC/SUNPF	Suncorp Group Limited - Convertible Preference Securities	3,007	4.2	4.2
SVWPA	Seven Group Holdings Limited - Perpetual Preference Securities	285	0.4	0.4
WBCPG	Westpac Banking Group Corporation Limited Capital Note	2,014	2.8	2.8
		28,297	39.30	39.30
Large industrial				
TLS	Telstra Corporation Limited	6,565	9.2	6.7
		6,565	9.2	6.7
Materials & Energy				
BHP	BHP Billiton Limited	2,978	4.1	3.5
BLD	Boral Limited	49	0.1	0.1
		3,027	4.2	3.6
Property Trusts				
CHC	Charter Hall Group	264	0.4	0.4
CIP	Centuria Industrial REIT	148	0.2	0.2
CLW	Charter Hall Long Wale REIT	1,735	2.4	2.4
FLK	Folkestone Limited	601	0.8	0.8
GOZ	Growthpoint Properties Australia Limited	389	0.5	0.5
VVR	Viva Energy REIT Limited	3,578	5.0	5.0
		6,715	9.3	9.3
Small Industrial				
ING	Inghams Group Limited	51	0.1	0.1
RWC	Reliance Worldwide Corporation Limited	40	0.1	0.1
SCO	Scottish Pacific Group Limited	85	0.1	0.1
SDF	Steadfast Group Limited	1,476	2.1	2.1
		1,652	2.4	2.4
Utilities & Infrastructure				
SKI	Spark Infrastructure Group	459	0.6	0.6
		459	0.6	0.6
Cash				
		6,565	9.1	20.1
		71,791	100.0	100.0

*Includes market value of options written against holdings

**Includes option delta written against holdings

Ironbark Capital Limited
ABN 89 008 108 227

Annual Financial Statements
For the year ended 30 June 2017

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Profit or Loss and
Other Comprehensive Income
For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Investment income from trading portfolio			
Revenue	6	3,408	3,428
Net gains/(losses) on trading portfolio	6	2,609	(3,404)
Total investment income from trading portfolio		6,017	24
Expenses			
Management fees	19 (b)	(279)	(278)
Brokerage expense		(28)	(20)
Accounting fees		(47)	(42)
Share registry fees		(41)	(34)
Custody fees		(27)	(31)
Tax fees		(9)	(13)
Directors' liability insurance		(16)	(18)
Directors' fees	19 (a)	(66)	(66)
ASX fees		(43)	(49)
Audit fees	17	(35)	(40)
Options expense		(28)	(18)
Other expenses		(6)	(14)
Total expenses		(625)	(623)
Profit/(loss) before income tax		5,392	(599)
Income tax (expense)/benefit	7	(836)	980
Net profit for the year		4,556	381
Other comprehensive income/(loss) for the year net of tax		-	-
Total comprehensive income for the year		4,556	381
Basic and diluted earnings per share			
	22	Cents 3.55	Cents 0.29

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Financial Position
As at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	6,565	4,875
Trade and other receivables	9	456	519
Trading portfolio	10	65,226	60,319
Current tax assets		102	-
Other assets		3	3
Total current assets		72,352	65,716
Non- current assets			
Deferred tax assets	12	1,722	2,568
Total non-current assets		1,722	2,568
Total assets		74,074	68,284
LIABILITIES			
Current liabilities			
Trade and other payables	13	114	107
Current tax liabilities		-	114
Total current liabilities		114	221
Non-current liabilities			
Deferred tax liabilities	14	7	17
Total non-current liabilities		7	17
Total liabilities		121	238
Net assets		73,953	68,046
Equity			
Issued capital	15	74,663	69,537
Profit reserve		786	5
Accumulated losses		(1,496)	(1,496)
Total equity		73,953	68,046

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Changes in Equity
For the year ended 30 June 2017

	Notes	Issued capital \$'000	Profit reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016		69,537	5	(1,496)	68,046
Profit for the year		-	-	4,556	4,556
Transfer to profit reserve		-	4,556	(4,556)	-
Total comprehensive income for the year		-	4,556	-	4,556
Transactions with owners in their capacity as owners:					
Dividends paid	16	-	(3,775)	-	(3,775)
Contributions of equity from rights issue, net of transaction costs	15(c),(d)	5,126	-	-	5,126
Balance at 30 June 2017		74,663	786	(1,496)	73,953
Balance at 1 July 2015		94,595	957	(1,319)	94,233
Profit for the year		-	-	381	381
Transfer to profit reserve		-	558	(558)	-
Total comprehensive income for the year		-	558	(177)	381
Transactions with owners in their capacity as owners:					
Dividends paid	16	-	(1,510)	-	(1,510)
Buy-back of shares		(25,058)	-	-	(25,058)
Balance at 30 June 2016		69,537	5	(1,496)	68,046

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Cash Flows
For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Interest received		493	664
Proceeds from sale of trading portfolio		21,190	16,455
Payments for purchase of trading portfolio		(23,488)	(5,905)
Dividends and trust distributions received		2,884	2,767
Other income received		61	11
Management fees paid		(297)	(309)
Other expenses paid		(289)	(319)
Taxes paid		(207)	(19)
Net cash inflow from operating activities	21	<u>347</u>	<u>13,345</u>
Cash flows from financing activities			
Dividends paid to shareholders	16	(3,775)	(1,510)
Proceeds from rights issue	15(c)	5,147	-
Transaction costs paid for rights issue	15(c)	(29)	-
Payments for shares bought back		-	(25,058)
Net cash inflow/(outflow) from financing activities		<u>1,343</u>	<u>(26,568)</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,690</u>	<u>(13,223)</u>
Cash and cash equivalents at beginning of financial year		<u>4,875</u>	<u>18,098</u>
Cash and cash equivalents at the end of the financial year	8	<u>6,565</u>	<u>4,875</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

1. General information

Ironbark Capital Limited (the "Company") is a listed public company domiciled in Australia. The address of Ironbark Capital Limited's registered office is Level 27, 45 Clarence Street, Sydney NSW 2000. The financial statements of Ironbark Capital Limited are for the year ended 30 June 2017. The Company is primarily involved in making investments, and deriving revenue and investment income from listed securities and unit trusts in Australia.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity Ironbark Capital Limited.

(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*. The Company is a 'for profit' entity.

The Financial Statements were authorised for issue by the directors on 24 August 2017.

(i) Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

(ii) New and amended standards adopted by the Company

The Company has adopted the following new standards for the first time for the annual reporting period commencing 1 July 2016:

- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012–2014 Cycle* (effective from 1 January 2016)

In January 2015, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2012-2014 annual improvements project.

- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* (effective from 1 January 2016)

AASB 2015-2 amends AASB 101 *Presentation of Financial Statements* to clarify that entities should not disclose immaterial information and that professional judgment can be used in determining where and in what order information is presented in financial disclosures.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect any future periods.

(iii) Historical cost convention

These Financial Statements have been prepared under the accruals basis and are based on historical cost convention, except that financial instruments are stated at their fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, refer to Note 4.

2. Significant accounting policies (continued)

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and trade allowances.

(i) Trading income

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the year they are earned/incurred.

(ii) Dividends and trust distributions

Dividends and trust distributions are recognised as revenue when the right to receive payment is established.

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Other income

The Company recognises other income when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(c) Income tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss in the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. Significant accounting policies (continued)

(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.

(e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(f) Trading portfolio

Classification

The trading portfolio comprises securities held for short term trading purposes, including exchange traded option contracts that are entered into, as described below. The purchase and the sale of securities are accounted for at the date of trade. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

Options are initially brought to account at the amount received upfront for entering the contract (the premium) and subsequently revalued to current market value. Increments and decrements are taken through the Statement of Profit or Loss and Other Comprehensive Income.

Securities in the trading portfolio are classified as "assets measured at fair value through profit or loss".

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

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

Subsequent to initial recognition, the financial instruments are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

When disposal of an investment occurs, the cumulative gain or loss is recognised as realised gains and losses on trading portfolio in the Statement of Profit or Loss and Other Comprehensive Income.

The objective of determining fair value for a financial instrument that is traded in an active market is to arrive at the price at which a transaction would occur at the end of the reporting period. The existence of published price quotations in an active market is the best evidence of fair value and is used to measure the financial asset or financial liability.

Financial assets are valued at their fair value without any deduction for transaction costs that may be incurred on sale or other disposal. Certain costs in acquiring investments, such as brokerage and stamp duty are expensed in the Statement of Profit or Loss and Other Comprehensive Income.

2. Significant accounting policies (continued)

(g) Derivatives

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to derivatives are included in investment income as part of realised or unrealised gains and losses on investments.

(h) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year that remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(i) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Profit reserve

The Profit Reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

(k) Dividends

In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

It is the Directors' policy to only pay fully franked dividends and to distribute the majority of franking credits received each year. Franking credits are generated by receiving fully franked dividends from shares held in the Company's investment portfolio, and from the payment of corporate tax on its other investment income, namely share option premiums, unfranked income and net realised gains.

A provision for dividends payable is recognised in the reporting period in which dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(l) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2. Significant accounting policies (continued)

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO and are presented as operating cash flows.

(n) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(o) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

(p) Operating Segments

The Company operated in Australia only and the principal activity is investment.

(q) New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not yet been applied in the Financial Statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses revised requirements for the classification, measurement, recognition and derecognition of financial assets and financial liabilities, including hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Directors do not expect there will be any impact on the accounting for the Company's financial assets or liabilities.

(ii) AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (effective from 1 January 2017)

AASB 2016-2 amends AASB 107 *Statement of Cash Flows* to require entities to provide disclosure that enables users of financial statements to evaluate cash and non-cash changes in their financing activities.

2. Significant accounting policies (continued)

- (iii) AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirement applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. There is no impact on the Company's financial statements.

- (iv) AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will:

- replace AASB 117 *Leases* and some lease-related Interpretations;
- require all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases; and
- require new and difference disclosures about leases.

This Standard will require retrospective restatement, as well as new and difference disclosures. There is no impact on the Company's financial statements.

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

3. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as trading portfolio.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The Investment Manager of the trading portfolio has been granted specific risk tolerance boundaries as set out in the Investment Management Agreement.

The Company's investments split by sector as at 30 June are set out below:

Sector	2017 (%)	2016 (%)
Financials	52.9	53.2
Corporate floating rate notes	11.2	14.1
Property Trust	9.4	1.2
Cash	9.1	7.5
Telecommunications services	9.1	13.4
Materials	4.2	4.2
Small Industrials	2.6	2.3
Healthcare and biotechnology	0.8	0.9
Utilities	0.6	3.2
Consumer staples	0.1	-
Total	100.0	100.0

Securities representing over 5 percent of the trading portfolio at 30 June 2017 were:

	(%)
Commonwealth Bank of Australia Limited	9.4
Telstra Corporation Limited	9.1
Westpac Banking Corporation Limited	8.7
	27.2

The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars.

The following table illustrates the effect on the Company's profit or loss based on a fall in market prices of 5% and 10% on the investment assets in the Company's portfolio at reporting date, assuming a flat tax rate of 30 percent:

Index	Impact on post-tax profit			
	2017		2016	
	\$'000	\$'000	\$'000	\$'000
Change in variable by +5%/-5% (2016: +5%/-5%)	2,283	(2,283)	2,111	(2,111)
Change in variable by +10%/-10% (2016: +10%/-10%)	4,566	(4,566)	4,222	(4,222)

3. Financial risk management (continued)

(ii) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

30 June 2017

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial Assets			
Cash and cash equivalents	6,565	-	6,565
Trade and other receivables	-	456	456
Trading portfolio	7,991	57,235	65,226
Current tax asset	-	102	102
	14,556	57,793	72,349
Financial liabilities			
Trade and other payables	-	(114)	(114)
Current tax liability	-	-	-
	-	(114)	(114)
Net exposure	14,556	57,679	72,235

30 June 2016

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial Assets			
Cash and cash equivalents	4,875	-	4,875
Trade and other receivables	-	519	519
Trading portfolio	9,216	51,103	60,319
Current tax asset	-	-	-
	14,091	51,622	65,713
Financial liabilities			
Trade and other payables	-	(107)	(107)
Current tax liability	-	(114)	(114)
	-	(221)	(221)
Net exposure	14,091	51,401	65,492

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2017 is 1.23% pa (2016: 2.03% pa).

Sensitivity

At 30 June 2017, if interest rates had increased or decreased by 75 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$76,419 higher/\$76,419 lower (2016: changes of 75 bps/75 bps: \$73,902 higher/\$73,902 lower), mainly as a result of higher/lower interest income from cash and cash equivalents and floating rate notes.

3. Financial risk management (continued)

(b) Credit risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

There are no material amounts of collateral held as security at 30 June 2017.

Credit risk is managed as noted in Note 8 with respect to cash and cash equivalents, Note 9 for trade and other receivables and Note 10 for floating rate note trading portfolio. None of these assets are over-due or considered to be impaired.

(c) Liquidity risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager monitors cash-flow requirements daily taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradable securities which can be sold on-market if necessary.

The table below analyses the Company's non-derivative financial liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year-end date. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month \$'000	More than 1 month \$'000
At 30 June 2017		
Non-derivatives		
Trade and other payables	114	-
Current tax liability	-	-
Total non-derivatives	<u>114</u>	<u>-</u>
	Less than 1 month \$'000	More than 1 month \$'000
At 30 June 2016		
Non-derivatives		
Trade and other payables	107	-
Current tax liability	114	-
Total non-derivatives	<u>221</u>	<u>-</u>

3. Financial risk management (continued)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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

The following table presents the Company's financial assets and liabilities (by class) measured and recognised at fair value according to the fair value hierarchy at 30 June 2017 and 30 June 2016:

Fair value hierarchy

30 June 2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trading portfolio	65,226	-	-	65,226
Total	65,226	-	-	65,226

30 June 2016

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trading portfolio	59,550	769	-	60,319
Total	59,550	769	-	60,319

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and loans.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

5. Segment information

The Company has only one reportable segment. The Company operates predominantly in Australia and in one industry being the securities industry, deriving revenue from dividend, distribution and interest income and from the sale of its trading portfolio.

6. Investment income

	2017 \$'000	2016 \$'000
<i>Revenue</i>		
Dividends	2,563	2,613
Interest	508	639
Distributions	276	165
Other income	61	11
	<u>3,408</u>	<u>3,428</u>
<i>Net gains/(losses) on trading portfolio</i>		
Net realised (losses)/gains on trading portfolio	(840)	1,478
Net unrealised gains/(losses) on trading portfolio	3,449	(4,882)
	<u>2,609</u>	<u>(3,404)</u>
	<u>6,017</u>	<u>24</u>

7. Income tax expense

(a) Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income

	2017 \$'000	2016 \$'000
Current tax	(333)	516
Deferred tax	1,169	(1,496)
	<u>836</u>	<u>(980)</u>
<i>Income tax (benefit) / expense is attributable to:</i>		
Profit from continuing operations	<u>836</u>	<u>(980)</u>

7. Income tax expense (continued)

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	2017 \$'000	2016 \$'000
(Loss) / profit from continuing operations before income tax expense/(benefit)	5,392	(599)
Tax at the Australian rate of 30.0% (2016: 30.0%)	1,618	(180)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	(1,103)	(1,129)
Foreign income tax offsets	-	-
Imputation gross up on dividend income	331	339
Timing differences	159	(19)
Realised taxable investment loss / (gain)	(399)	450
Realised accounting investment (gain) / loss	252	(442)
Adjustments for current tax of prior year	(22)	1
Income tax (benefit) / expense	<u>836</u>	<u>(980)</u>

8. Cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash at bank and in hand	<u>6,565</u>	<u>4,875</u>

Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with JP Morgan which is rated A+ (2016: A+) by Standard & Poor's.

9. Trade and other receivables

	2017 \$'000	2016 \$'000
Dividends and distributions receivable	425	470
Interest receivable	24	9
GST Receivable	7	7
Unsettled sales	-	33
	<u>456</u>	<u>519</u>

Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within two days of the date of a transaction. None of the receivables is past due or impaired at the end of the reporting period.

9. Trade and other receivables (continued)

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Risk exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

10. Trading portfolio – held at fair value through profit or loss

	2017 \$'000	2016 \$'000
Listed equities	50,520	50,322
Units in listed property trusts	6,715	781
Floating rate notes - listed	7,991	8,447
Floating rate notes - unlisted	-	769
	65,226	60,319

Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 3.

11. Derivative financial instruments

In the normal course of business, the Company enters into transactions in derivative financial instruments with certain risks. A derivative is a financial instrument or other contract whose value depends on, or is derived from, underlying assets, liabilities or indices. Derivative transactions include a wide assortment of instruments, such as forwards, futures, options and swaps.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multi-faceted and includes:

- (i) hedging to protect an asset of the Company against a fluctuation in market values or to reduce volatility;
- (ii) as a substitute for physical securities; and
- (iii) adjustment of asset exposures within the parameters set out in the investment strategy.

The Company holds the following derivative instruments:

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 buy 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. Options held are exchange-traded.

11. Derivative financial instruments (continued)

At year end, the notional principal amounts of derivatives held by the Company were as follows:

	Notional principal amounts 2017 \$'000	Notional principal amounts 2016 \$'000
Australian exchange traded options	(506)	(1,021)

12. Deferred tax assets

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Net unrealised losses of investments	1,353	2,535
Tax losses	342	-
Other temporary differences	27	33
	<u>1,722</u>	<u>2,568</u>
Movements:		
Opening balance:	2,568	1,081
Charged/credited:		
- to deferred tax liabilities	-	-
- to profit or loss	(846)	1,487
	<u>1,722</u>	<u>2,568</u>

13. Trade and other payables

		2017 \$'000	2016 \$'000
	Notes		
Management fees payable	19(c)	26	24
Other payables		88	83
		<u>114</u>	<u>107</u>

14. Deferred tax liabilities

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Accrued income	7	17
	<u>7</u>	<u>17</u>
Movements:		
Opening balance	17	10
Charged/credited - to profit or loss	(10)	7
- to deferred tax assets	-	-
	<u>7</u>	<u>17</u>

15. Issued capital

(a) Issued capital

	30 June 2017 Shares	30 June 2016 Shares	2017 \$'000	2016 \$'000
Ordinary shares - fully paid	<u>137,258,651</u>	125,820,582	<u>74,663</u>	69,537

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Movements in ordinary share capital

	Number of shares	\$'000
Balance at 1 July 2016	125,820,582	69,537
1:8 entitlement offer	11,438,069	5,147
Less: transaction costs (net of tax)	-	(21)
Balance at 30 June 2017	<u>137,258,651</u>	<u>74,663</u>

(d) Non-renounceable Entitlement Offer

On 27 March 2017, the Company invited its eligible shareholders to subscribe to a non-renounceable offer of 1 share for every 8 fully paid ordinary shares held at an issue price of \$0.45 per share. 11,438,069 ordinary shares were issued on 1 May 2017. The issue had a 73% take-up of the Entitlement Offer of shares by eligible shareholders. The Offer was not underwritten and there was no associated shortfall offer.

(e) Dividend reinvestment plan

Under the Company's dividend reinvestment plan (DRP), additional shares are allotted at a price calculated at 97.5% of the weighted average share price. The DRP is currently suspended and as such, there were no shares issued under the dividend reinvestment plan during the year.

(f) Capital risk management

To achieve this, the Board of Directors monitor the monthly NTA results, investment performance, the Company's Indirect Cost Ratio (formerly known as 'Management Expense Ratio') and share price movements.

The Company is not subject to any externally imposed capital requirements.

16. Dividends

(a) Ordinary Shares recognised as paid

	2017 \$'000	2016 \$'000
Final dividend	1,321	566
Interim dividend	2,454	944
	<u>3,775</u>	<u>1,510</u>

In respect of the financial year ended 30 June 2017, no further dividend has been declared.

(b) Dividend franking account

	2017 \$'000	2016 \$'000
Opening balance of franking account	1,112	612
Franking credits on dividends received	1,103	1,129
Net tax paid during the year	207	18
Franking credits on ordinary dividends paid	(1,618)	(647)
Closing balance of franking account	<u>804</u>	<u>1,112</u>
Adjustments for tax payable/(refundable) in respect of the current year's profits	(102)	114
Franking credits on dividends received after year end	160	165
	<u>58</u>	<u>279</u>
	<u>862</u>	<u>1,391</u>

(c) Dividend rate

	Record Date	Dividend Rate	Total Amount \$'000	Date of Payment	% Franked
2017					
Ordinary shares - Final	28/02/2017	1.05cps	\$1,321	20/03/2017	100
Ordinary shares – Interim	15/12/2016	1.0cps	\$1,258	16/01/2017	100
Ordinary shares – Interim	17/08/2016	0.95cps	\$1,196	31/08/2016	100
2016					
Ordinary shares - Final	15/06/2016	0.45cps	\$566	30/06/2016	100
Ordinary shares - Interim	09/12/2015	0.75cps	\$944	23/12/2015	100

17. Remuneration of auditors

During the year the following fees were paid or payable (GST inclusive) for services provided by the auditor of the Company, its related practices and non-related audit firms:

	30 June 2017 \$'000	30 June 2016 \$'000
<i>Audit and other assurance services</i>		
MNSA Pty Ltd - Audit and review of financial statements	35	33
<i>Other assurance services</i>		
PWC - Audit of custodian statements	-	7
Total remuneration for audit and other assurance services	<u>35</u>	<u>40</u>

18. Contingencies

The Investment Management Agreement entered into by the Company with Kaplan Funds Management Pty Ltd may be terminated by either party giving to the other no less than one-year written notice of its intention to do so.

The Company had no other contingent liabilities at 30 June 2017 (2016: nil).

19. Related party transactions

(a) Key management personnel

	2017 \$'000	2016 \$'000
Short-term benefits	<u>66</u>	<u>66</u>

(b) Transactions with other related parties

The following transactions occurred with related parties (exclusive of RITC):

	2017 \$'000	2016 \$'000
Management fees paid or payable	<u>279</u>	<u>278</u>

The Company has entered into a Management Agreement with Kaplan Funds Management Pty Ltd such that it will manage investments of the Company, ensure regulatory compliance with all the relevant laws and regulations, and provide administrative and other services for a fee. No performance fees were paid or payable to Kaplan Funds Management Pty Ltd for the year ended 30 June 2017 (2016: nil).

19. Related party transactions (continued)

(c) Outstanding balances

The following balances (GST inclusive) are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2017 \$'000	30 June 2016 \$'000
Management fees payable	26	24

(d) Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

20. Events occurring after the reporting period

Since the end of the financial year, the Directors have declared a fully franked dividend of 0.75 cents per share payable 20 September 2017 out of the Profit Reserve as at 31 July 2017. Based on current legislation, this dividend will be franked at the 27.5% tax rate.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

21. Reconciliation of profit after income tax to net cashflow from operating activities

	2017 \$'000	2016 \$'000
Profit for the year	4,556	381
Unrealised (gains)/losses on trading portfolio	(3,449)	4,882
Realised losses/(gains) on trading portfolio	840	(1,478)
Change in operating assets and liabilities		
Decrease in trade and other receivables	63	15
Increase/(Decrease) in trade and other payables	7	(6)
Increase/(Decrease) in tax liabilities	629	(999)
(Increase)/Decrease in trading portfolio	(2,299)	10,550
Net cash inflow from operating activities	347	13,345

22. Earnings per share

(a) Basic earnings per share

	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the company	3.55	0.29
Total basic earnings per share attributable to the ordinary equity holders of the company	3.55	0.29

22. Earnings per share (continued)

(b) Diluted earnings per share

	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the company	<u>3.55</u>	0.29
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>3.55</u>	0.29

Diluted earnings per share is the same as basic earnings per share. The Company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

(c) Weighted average number of shares used as denominator

	2017 Number	2016 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share</i>	<u>128,420,924</u>	129,523,274



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF IRONBARK CAPITAL LIMITED
ABN 89 008 108 227**

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Ironbark Capital Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- (a) the financial report of Ironbark Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of Ironbark Capital Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ironbark Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<i>Valuation and Existence of Trading portfolio</i>	
The trading portfolio at 30 June 2017 comprised of listed equity investments and exchange traded options of \$65 million.	We tested the valuation of a sample of listed investments by vouching the share prices to external market information to ensure they are fairly stated.
We focused on the valuation and existence of investments because trading investment represents the principal element of the net asset value disclosed on the Statement of Financial Position in the financial statements.	We agreed the existence of a sample of listed investments by confirming shareholdings with supporting information. No differences were identified.
<i>Revenue from Trading portfolio</i>	
Auditing Standard ASAs presume there are risks of fraud in revenue recognition unless rebutted.	We assessed the accounting policy for revenue recognition for compliance with the accounting standards and performed testing to ensure that revenue had been accounted for in accordance with the accounting policy.
We focused on the cut-off, accuracy and completeness of dividend revenue, interest, dividend receivables and interest receivables.	We found that the accounting policies implemented were in accordance with the accounting standards, and that revenue has been accounted for in accordance with the accounting policy. We tested the accuracy and completeness of dividend revenue by agreeing the dividends and distributions of a sample of investments to supporting documentation obtained from share registries. We tested the cut-off of dividend revenue and dividend receivables by checking the dividend details of a sample of investments from external market information and ensured that dividends that were declared before, but payable after, the reporting date were recorded. No differences were identified.

Other Information

The directors of Ironbark Capital Limited are responsible for the other information. The other information comprises the information in the annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of Ironbark Capital Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are responsible for assessing the Company's ability 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 either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

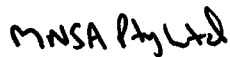
Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Ironbark Capital Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Ironbark Capital Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



MNSA Pty Ltd



Mark Schiliro
Director

Sydney
24 August 2017