

# **Forager Australian Shares Fund**

ARSN 139 641 491

## **Appendix 4E**

**For the year ended 30 June 2017**

## Preliminary Final Report

This preliminary final report is for the reporting period from 1 July 2016 to 30 June 2017. The previous corresponding year end was 30 June 2016.

### Results for announcement to the market

	<b>30 June 2017 \$'000</b>	<b>30 June 2016 \$'000</b>	<b>Percentage increase/ (decrease) over corresponding year end</b>
Net assets attributable to unitholders	150,424	87,707	71.51%
Revenues from continuing operations	32,460	13,834	134.64%
Profit for the year	28,017	12,266	128.41%

### Brief explanation of results

The \$28.0m operating profit for the year represented a 128.41% increase on the year ended 30 June 2016. Both the increase in revenue (134.64%) and increase in profit were a function of an increase in the average net tangible assets of the Fund. Net portfolio performance for the period of 25.16% was higher than the 18.06% return for the previous corresponding year end.

As of 30 June 2017, the net assets of the Fund were \$150.4m, a 71.51% increase from the balance as at 30 June 2016. The increase in assets was a result of portfolio appreciation and an increase in the number of units on issue.

### Distribution (dividend) information

	<b>Cents per share</b>	<b>Total Amount \$'000</b>	<b>Record Date</b>	<b>Date of Payment</b>	<b>Percentage Franked</b>
June 2017	11.1808	9,799	30/06/2017	21/07/2017	0%

### Net tangible assets

	<b>30 June 2017</b>	<b>30 June 2016</b>
Net tangible assets per security	\$1.7164	\$1.4607

### Other information

There was no gain or loss of control of entities during the current year.

The Fund does not have associates or joint venture entities.

The Fund is not a foreign entity.

Additional Appendix 4E disclosure requirements can be found in the notes to the financial report for the year ended 30 June 2017.

**Audit**

This report is based on accounts which have been audited by the Fund's Auditors - Ernst & Young.

Sydney  
30 August 2017

# **Forager Australian Shares Fund**

ARSN 139 641 491

## **Annual Report**

**For the year ended 30 June 2017**

# Forager Australian Shares Fund

ARSN 139 641 491

## Annual Report

### For the year ended 30 June 2017

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These financial statements cover Forager Australian Shares Fund as an individual entity.

The Responsible Entity of Forager Australian Shares Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is:

Level 18  
123 Pitt Street  
Sydney NSW 2000

## Investment Manager's Report

### INTRODUCTION

The FY17 year was an extremely important one for the Forager Australian Shares Fund, as the fund was listed on ASX as a Listed Investment Trust (LIT). This structure has helped cement the future of the fund as it will provide the required flexibility in distressed markets due to being closed-ended.

In the process of listing the fund on ASX, a new Responsible Entity was appointed in The Trust Co (RE Services) Limited, a subsidiary of the Perpetual Group. This is an important partnership for the Forager Australian Shares Fund and has been working well so far.

We believe that listing the fund was a success, and look forward to the coming years.

### PERFORMANCE SUMMARY

*Summary of fund returns as at 30 June 2017 (net of all fees)*

	FASF	S&A All Ords. Accum. Index	Outperformance
1 year	25.16%	13.12%	12.04%
2 year (p.a.)	21.56%	7.42%	14.14%
3 year (p.a.)	18.39%	6.83%	11.56%
4 year (p.a.)	18.23%	9.44%	8.79%
5 year (p.a.)	21.74%	11.60%	10.14%
6 year (p.a.)	19.29%	8.25%	11.04%
7 year (p.a.)	17.15%	8.80%	8.35%
Since inception (p.a)	14.87%	7.34%	7.53%
Cumulative	189.56%	72.21%	117.36%
*Inception 30 October 2009			
Investments can go up and down. Past performance is not necessarily indicative of future performance			

With a return of 25.2%, net of all fees, it was an excellent year for the Forager Australian Shares Fund. The last negative return came in the 2010 financial year. Returns have been in excess of the market for each of the last six years and the five-year return remains greater than 20% p.a.

The top three contributors to performance were all in the top five from last year's results. And the worst four performers this year were all poor performers in 2016 as well.

### Worst Performing Stocks

Despite its unit price falling by 57% the previous financial year, RNY Property Trust (RNY) fell a further 59% between 30 June 2016 to when the investment was sold in February 2017. The overall effect was negative 2.7% to the Fund's return for the FY17 year.

Another stock contributing negatively to the overall fund performance was Hughes Drilling. In September 2016, the directors of Hughes Drilling declared the company insolvent. It is unlikely that shareholders will receive anything from the wind-up. The result on overall fund performance was -1.9% for the 2017 financial year.

**Logicamms** (LCM) was another negative contributor to the fund in FY17. The share price fell 56% in 2017 as its financial performance was below management forecasts. The portfolio weighting is less than a 1%, but this still caused -0.9% to the overall 2017's fund return.

The final negative contributor to the fund was **GBST** (GBT), where the share price fell 28% during the year, contributing -1% to the overall fund return.

### Best Performing Stocks

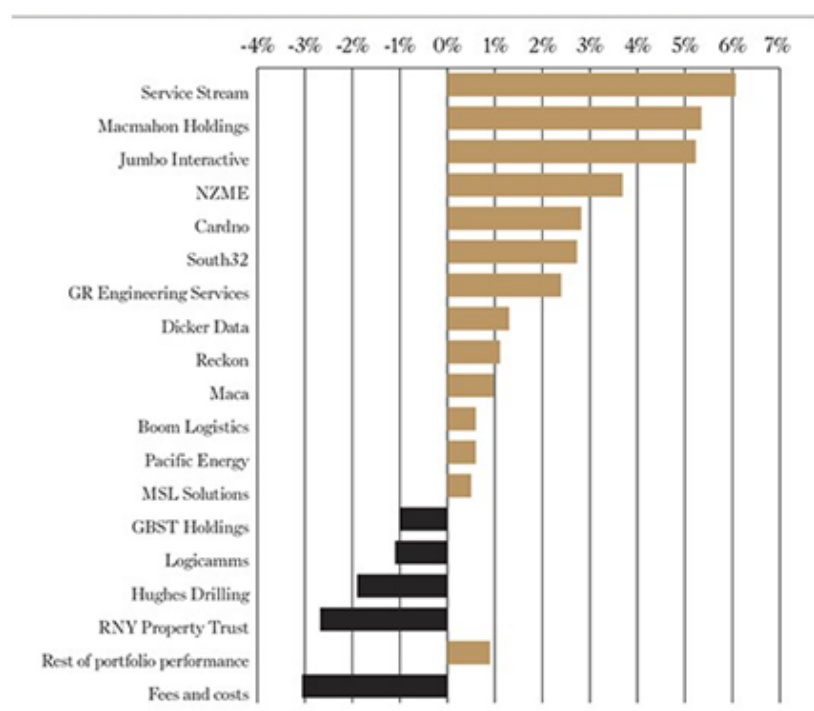
**Service Stream** (SSM) was the largest contributor to fund performance in FY17. Including dividends the stock returned 72% during the year and added 6.1% to the overall fund performance.

With a 111% total return over the year, online lottery ticket reseller **Jumbo Interactive** (JIN) contributed almost as much to Fund performance as Service Stream, adding 5.2% overall.

Mining and mining services businesses were also large contributors to performance during FY17. Including the losses on Hughes Drilling and Logicamms, mining-related stocks collectively contributed more than 12% of portfolio performance during the year. The gains were widespread due to higher commodity prices and a return of confidence and money to the sector. **Cardno** (CDD), **GR Engineering** (GNG) and **South32** (S32) each delivered between 2% and 3% to the portfolio and **MACA** (MLD) added further to gains made in FY16 before being sold in September 2016.

The largest contributor in this sector was **Macmahon Holdings** (MAH), where the share price rose 88%, which added 5.3% to the funds overall performance.

### FASF Contribution for the 12 months ending 30 June 2017



As a final note to this year's performance report, we encourage all investors to temper their expectations. It has been an extraordinary six-year period for the Forager Australian Shares Fund. We warned investors from the start, however, that returns are likely to be lumpy. Don't let the past six years lull you into thinking any different.

*This is an excerpt from Forager's 2017 annual performance report, which was prepared by Forager's Chief Investment Officer, Steve Johnson.*

**Forager Australian Shares Fund**  
**Investments at Market Value**  
**As at 30 June 2017**

**Investments at Market Value**

	\$	%		\$	%
<b>MEDIA</b>			<b>CAPITAL GOODS</b>		
ENERO GROUP LIMITED	10,219,235	7.71%	BOOM LOGISTICS LIMITED	2,551,038	1.92%
NZME LIMITED	12,200,308	9.21%	BRIERTY LIMITED	394,528	0.43%
	<b>22,419,543</b>	<b>16.92%</b>	CARDNO LIMITED	10,396,635	7.85%
			GR ENGINEERING SERVICES LIMITED	5,555,137	4.19%
<b>DIVERSIFIED FINANCIALS</b>			LOGICAMMS LIMITED	1,289,183	0.97%
MAINSTREAMBPO LIMITED	3,752,366	2.83%	MACMAHON HOLDINGS LTD	16,258,387	12.28%
	<b>3,752,366</b>	<b>2.83%</b>	SERVICE STREAM LIMITED	9,045,810	6.83%
				<b>45,490,718</b>	<b>34.47%</b>
<b>REAL ESTATE</b>			<b>CONSUMER SERVICES</b>		
DEVINE LIMITED	472,083	0.35%	JUMBO INTERACTIVE LIMITED	9,607,431	7.25%
	<b>472,083</b>	<b>0.35%</b>		<b>9,607,431</b>	<b>7.25%</b>
<b>SOFTWARE &amp; SERVICES</b>			<b>RETAILING</b>		
GBST HOLDINGS LIMITED	3,804,012	2.87%	THORN GROUP LIMITED	5,174,090	3.90%
MSL SOLUTIONS LIMITED	3,027,610	2.28%		<b>5,174,090</b>	<b>3.90%</b>
RECKON LIMITED	13,148,350	9.93%			
	<b>19,979,972</b>	<b>15.08%</b>	<b>ENERGY</b>		
<b>TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>			MATRIX COMPOSITES & ENGINEERING LIMITED	4,265,638	3.22%
DICKER DATA LIMITED	6,404,396	4.83%		<b>4,265,638</b>	<b>3.22%</b>
SMART PARKING LIMITED	2,593,036	1.95%	<b>TELECOMMUNICATION SERVICES</b>		
	<b>8,997,433</b>	<b>6.78%</b>	CSG LIMITED	1,173,075	0.88%
<b>UTILITIES</b>				<b>1,173,075</b>	<b>0.88%</b>
PACIFIC ENERGY LIMITED	6,700,668	5.06%	<b>TRANSPORTATION</b>		
	<b>6,700,668</b>	<b>5.06%</b>	CTI LOGISTICS LTD	3,889,200	2.93%
<b>UNLISTED</b>				<b>3,889,200</b>	<b>2.93%</b>
CENTREBET INTERNATIONAL LIMITED LITIGATION CLAIM UNIT	418,660	0.31%	<b>TOTAL</b>	<b>132,380,847</b>	<b>100%</b>
CENTREBET INTERNATIONAL LIMITED LITIGATION CLAIM RIGHT	17,598	0.01%			
BROOKFIELD AUSTRALIAN OPPORTUNITIES TRUST UNLISTED	22,374	0.01%			
	<b>458,632</b>	<b>0.33%</b>			



## Forager Australian Shares Fund (ARSN 139 641 491)

### Corporate Governance Statement

For the year ended 30 June 2017

#### Background

The Trust Company (RE Services) Limited ("**Responsible Entity**") is the responsible entity for the Forager Australian Shares Fund ("**Trust**"), a registered managed investment scheme that is listed on the Australian Securities Exchange ("**ASX**").

The Responsible Entity is a wholly-owned subsidiary of Perpetual Limited (ASX: PPT) ("**Perpetual**").

The Responsible Entity is reliant on Perpetual for access to adequate resources including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance and risk, finance) and financial resources. During the year and up to the date of this report, Perpetual has at all times made such resources available to the Responsible Entity.

In operating the Trust the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Trust's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Trust principally arise from: the Constitution of the Trust; the Compliance Plan for the Trust; the Corporations Act 2001 ("**Act**"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services License; relevant regulatory guidance; relevant contractual arrangements; and other applicable laws and regulations.

#### Corporate Governance

At Perpetual, good corporate governance includes a genuine commitment to the ASX Corporate Governance Council Principles and Recommendations (ASX Principles).

The Directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Trust and, to the extent applicable to registered schemes, are guided by the values and principles set out in Perpetual's Corporate Responsibility Statement and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles**"). The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered schemes; its practices are largely consistent with the Principles.

As a leading independent responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("**Schemes**"). The Schemes include the Trust as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Trust is consistent with its approach in relation to the Schemes generally.

The Responsible Entity addresses each of the Principles that are applicable to externally managed listed entities in relation to the Schemes, including the Trust, for the year ended 30 June 2017. This corporate governance statement is current as at the date of the Trust's financial report and has been approved by the Responsible Entity board.

### **Principle 1 – Lay solid foundations for management and oversight**

The role of the Responsible Entity's Board ("**RE Board**") is generally to set objectives and goals for the operation of the Responsible Entity and the Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of each of the Schemes. The RE Board is accountable to the unitholders of each of the Schemes, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Schemes.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Schemes. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Schemes. Directors, management and staff are guided by Perpetual's Code of Conduct which is designed to assist them in making ethical business decisions.

### **Principle 2 – Structure the board to add value**

At present the RE Board consists of four executive directors and four alternate directors. The names of the current Directors and year of appointment is provided below:

Name of Director	Year of appointment
Andrew Cannane	2011
Christopher Green	2014
Michael Vainauskas	2015
Glenn Foster	2015
Rodney Garth Ellwood (Alternate)	2015
Vikki Riggio (Alternate)	2016
Gillian Larkins (Alternate)	2017
Andrew McIver (Alternate)	2017

As the RE Board consists of only executive directors, a Compliance Committee is appointed in relation to each of the Schemes (refer to Principle 7). The Committee has a majority of independent members and is chaired by an independent member who is not the chair of the RE Board

### **Principle 3 – Promote ethical and responsible decision-making**

The Responsible Entity has a Code of Conduct and espoused Core Values and a further values framework known as the "Way we Work" within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct and Core Values supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process. The Code of Conduct is available on Perpetual's website ([www.perpetual.com.au](http://www.perpetual.com.au)).

#### **Principle 4 – Safeguard integrity in financial reporting**

The functions of an audit committee are undertaken by the full board of the RE with assistance from RE's management.

The declarations under section 295A of the *Corporations Act 2001* (**the Act**) provide formal statements to the RE Board in relation to the Trust (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Trust, including the Investment Manager, which assist its staff in making the declarations provided under section 295A of the Act.

The Responsible Entity manages the engagement and monitoring of independent 'external' auditors for the Trust. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plan for the Trust.

#### **Principle 5 – Make timely and balanced disclosure**

The Responsible Entity has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Act and the ASX Listing Rules in relation to the Trust. The policy requires timely disclosure of information to be reported to the Responsible Entity's management and/or Directors to ensure that, information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to any of the Trust, is disclosed to the market. The Responsible Entity's employees assist management and/or the Directors in making disclosures to the ASX after appropriate consultation. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Trust.

#### **Principle 6 – Respect the rights of unitholders**

The Responsible Entity is committed to ensuring timely and accurate information about the Trust is available to security holders via the Trust's website. All ASX announcements are promptly posted on the Trust's website: [www.foragerfunds.com](http://www.foragerfunds.com). The annual and half year results financial statements and other communication materials are also published on the website.

In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from unitholders and convenes formal and informal meetings of unitholders as requested or required. The Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to Trust.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual's Complaints Handling Policy. The Responsible Entity is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity in relation to the Trust.

## **Principle 7 – Recognise and manage risk**

The RE values the importance of robust risk management systems and maintains a current risk register as part of its formal risk management program. The RE has established a Compliance Committee, comprised of Michael Vainauskas, Michelene Collopy and Virginia Malley. The Compliance Committee meets at least quarterly. In 2016/17 financial reporting period all four meetings held were attended by all Compliance Committee members. The Compliance Committee Charter sets out its role and responsibilities, which is attached to this statement. The Compliance Committee is responsible for compliance matters regarding the RE's Compliance Plan and Constitution and the Corporations Act. Perpetual's Audit, Risk and Compliance Committee is responsible for oversight of the Perpetual's risk management and internal control systems. The Audit, Risk and Compliance Committee is comprised of Ian Hammond (Chair), Philip Bullock, Nancy Fox and Craig Ueland. In 2016/17 financial reporting period there were seven meetings held which were attended by all members. The Audit, Risk and Compliance Committee terms of reference sets out its role and responsibilities. This can be obtained on the Perpetual website. The majority of the Compliance Committee and the Audit, Risk and Compliance Committee members are independent. They are chaired by independent members.

The RE manages the engagement and monitoring of independent external auditors for the Trust. The RE board receives periodic reports in relation to financial reporting and the compliance plan audit outcomes for the Trust.

Perpetual has a risk management framework in place which is reviewed annually. The declarations under section 295A of the Act provide assurance regarding sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The RE also receives appropriate declarations from the service providers involved in financial reporting.

Perpetual has an internal audit function which reports to Perpetual's Audit and Risk Compliance Committee, and for administrative purposes, the Perpetual Chief Risk Officer and is independent from the external auditor. Perpetual's Audit and Risk Compliance Committee reviews the annual Internal Audit Plan and also reviews reports issued by the Head of Internal Audit.

The Fund currently has no material exposure to economic, environmental and sustainability risk.

## **Principle 8 – Remunerate fairly and responsibly**

The fees and expenses which the RE is permitted to pay out of the assets of the Trust are set out in the Trust constitution. The Trust financial statements provide details of all fees and expenses paid by the Trust during the financial period.

## Directors' Report

The Directors of The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150), the Responsible Entity of Forager Australian Shares Fund (FOR), present their report together with the financial statements of Forager Australian Shares Fund (the 'Fund') for the year ended 30 June 2017.

The Trust Company (RE Services) Limited was appointed Responsible Entity on 17 October 2016 following the retirement of Fundhost Limited who acted as Responsible Entity from the inception of the Fund until 16 October 2016. The Responsible Entity is a wholly owned subsidiary in the Perpetual Limited Group (ASX: PPT).

The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000.

Forager Funds Management Pty Ltd (ABN 78 138 351 345, AFSL 459312) is the Investment Manager of FOR.

### Directors

The following persons held office as Directors of Fundhost Limited from 1 July 2016 to 16 October 2016:

Valerie Anne Monge  
Paul Ernest Dortkamp  
Robert H Nagel

The following persons held office as Directors of The Trust Company (RE Services) Limited from 17 October 2016 and up to the date of this report:

Andrew Vincent Cannane  
Christopher Green  
Michael Henry Vainauskas  
Glenn Foster  
Vicki Riggio (Alternate Director for Andrew Cannane) (appointed 1 November 2016)  
Rodney Garth Ellwood (Alternate Director for Christopher Green) (resigned as Alternate Director for Andrew Vincent Cannane 3 April 2017)  
Andrew McIver (Alternate Director Michael Vainauskas) (appointed 13 January 2017)  
Neil Wesley (Alternate Director for Glenn Foster) (appointed 13 January 2017) (resigned 14 July 2017)  
Gillian Larkins (Alternate Director for Glenn Foster) (appointed 14 July 2017)

### Principal activities

The Fund invests predominantly in securities listed on the ASX and investments that are likely to be listed on the ASX in the future and Australian denominated cash. The Fund's goal is to produce superior long-term returns from a selected number of underlying investments, irrespective of short term price movements.

The Fund did not have any employees during the year.

The Fund is currently listed on the Australian Securities Exchange (ASX).

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

### Units on Issue

Units on issue in the Fund at year end are set out below:

	<b>30 June 2017 No.</b>	30 June 2016 No.
Units on issue	<b>87,640,000</b>	60,049,000

**Forager Australian Shares Fund**  
**Directors' Report**  
**For the year ended 30 June 2017**  
(continued)

**Review and results of operations**

During the year, the Fund continued to invest its 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.

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

	<b>Year ended</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<b>28,017</b>	12,266
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<b>9,799</b>	10,656
Distributions (cents per unit)	<b>11.1808</b>	17.7456

**Financial Position**

As at 30 June 2017, the Fund's total assets amounted to \$162,362,000 (30 June 2016: \$100,056,000).

Net Tangible Assets (NTA) per unit as disclosed to the ASX, from the period of listing on 14 December 2016 through to 30 June 2017 was, as follows:

	<b>30 June 2017 \$</b>
At reporting period	1.8282
High during period	1.8373
Low during period	1.5709

**Significant changes in state of affairs**

Following a resolution passed at a meeting of members on 14 October 2016, The Trust Company (RE Services) Limited was appointed as the Responsible Entity of the Fund. Australian Securities and Investments Commission (ASIC) approved the appointment of the new Responsible Entity on 17 October 2016.

Under the proposed changes at the members meeting, White Outsourcing Pty Limited (now Link Fund Solutions Pty Limited) replaced FundHost Limited to provide administration services to the Fund on 17 October 2016.

On 14 December 2016, the Fund was admitted to the official list of ASX Limited and official quotation of its securities commenced on 16 December 2016 traded under the code FOR.

On 13 January 2017, Neil Wesley and Andrew McIver were appointed Alternate Directors of The Trust Company (RE Services) Limited.

On 3 April 2017, Rodney Garth Elwood resigned as Alternate Director for Andrew Vincent Cannane of The Trust Company (RE Services) Limited.

On 14 July 2017, Neil Wesley resigned as Alternate Director for Glenn Foster. On the same day, Gillian Larkins was appointed Alternate Director of The Trust Company (RE Services) Limited.

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

### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

### **Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and the provisions of the Fund's Constitution.

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

### **Indemnification and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of The Trust Company (RE Services) Limited. So long as the officers of The Trust Company (RE 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.

### **Indemnification of auditor**

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year 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 year.

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

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 7 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 Commonwealth, State or Territory law.

### **Non-audit services**

Ernst & Young continues as the Fund's auditor.

The non-audit services performed by the auditor are disclosed in Note 13 to the financial statements.

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

The Fund is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that legislative instrument, 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 13.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

A handwritten signature in black ink, appearing to read 'A. Camm', is written over the printed name.

Director  
The Trust Company (RE Services) Limited

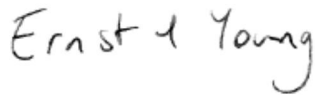
Sydney  
30 August 2017



## Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited

As lead auditor for the audit of Forager Australian Shares Fund for the financial year ended 30 June 2017, I declare 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.



Ernst & Young



Rohit Khanna  
Partner  
Sydney  
30 August 2017

**Forager Australian Shares Fund**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2017**

**Statement of Comprehensive Income**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2017</b>	<b>2016</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Investment income</b>			
Interest income		401	141
Dividend and distribution income		3,732	1,799
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	27,974	11,894
Expense reimbursement income	16(g)	338	-
Other operating income		15	-
<b>Total investment income/(loss)</b>		<b>32,460</b>	<b>13,834</b>
<b>Expenses</b>			
Responsible Entity's fees	16	138	65
Management fees	16	1,377	651
Performance fees	16	2,504	709
Administration fees		105	107
Custody fees		30	10
Remuneration of auditors	13	59	21
Other operating expenses		230	5
<b>Total operating expenses</b>		<b>4,443</b>	<b>1,568</b>
<b>Operating profit/(loss)</b>		<b>28,017</b>	<b>12,266</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	8	(9,799)	(10,656)
(Increase)/decrease in net assets attributable to unitholders	7	(18,218)	(1,610)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2017</b>	<b>2016</b>
	<b>Notes</b>	<b>Cents</b>	<b>Cents</b>
<b>Earnings per unit for profit attributable to unitholders of the Fund</b>			
Basic earnings per unit	14	33.55	23.79
Diluted earnings per unit	14	33.55	23.79

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**Forager Australian Shares Fund**  
**Statement of Financial Position**  
**As at 30 June 2017**

**Statement of Financial Position**

		<b>As at</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2017</b>	<b>2016</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
Cash and cash equivalents	9	<b>29,692</b>	24,815
Receivables	11	<b>289</b>	80
Due from brokers - receivable for securities sold		-	178
Financial assets held at fair value through profit or loss	6	<b>132,381</b>	74,983
<b>Total assets</b>		<b>162,362</b>	100,056
<b>Liabilities</b>			
Payables	12	<b>2,139</b>	295
Distributions payable		<b>9,799</b>	10,656
Due to brokers - payable for securities purchased		-	1,398
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>11,938</b>	12,349
<b>Net assets attributable to unitholders - liability</b>	7	<b>150,424</b>	87,707

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

**Forager Australian Shares Fund**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2017**

**Statement of Changes in Equity**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total equity at the beginning of the year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the year</b>	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the year.

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

**Forager Australian Shares Fund**  
**Statement of Cash Flows**  
**For the year ended 30 June 2017**

**Statement of Cash Flows**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	<b>35,705</b>	37,846
Purchase of financial instruments held at fair value through profit or loss	<b>(66,028)</b>	(39,654)
Interest income received	<b>372</b>	130
Dividends and distributions received	<b>3,373</b>	1,799
Other operating income received	<b>15</b>	-
Responsible Entity's fees paid	<b>(106)</b>	(63)
Management fees paid	<b>(1,320)</b>	(629)
Performance fees paid	<b>(923)</b>	(536)
Other operating expenses paid	<b>(100)</b>	(143)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>10(a) (29,012)</b>	(1,250)
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	<b>42,377</b>	27,960
Payments for redemptions by unitholders	<b>(4,842)</b>	(2,766)
Distributions paid	<b>(3,646)</b>	(1,991)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>33,889</b>	23,203
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,877</b>	21,953
Cash and cash equivalents at the beginning of the year	<b>24,815</b>	2,862
<b>Cash and cash equivalents at the end of the year</b>	<b>9 29,692</b>	24,815
Non-cash financing activities	<b>10(b) 7,010</b>	3,747

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

## **Notes to the Financial Statements**

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## **1 General information**

These financial statements cover Forager Australian Shares Fund ('the Fund') as an individual entity. The Fund is an Australian registered managed investment scheme under the *Corporations Act 2001*, which was constituted on 22 September 2009 and was admitted to the Australian Securities Exchange ('ASX') on 14 December 2016.

The Responsible Entity of the Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) (the 'Responsible Entity'). The Trust Company (RE Services) Limited was appointed as Responsible Entity on 17 October 2016 following the retirement of Fundhost Limited who acted as Responsible Entity until 16 October 2016. The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000. The Responsible Entity is incorporated and domiciled in Australia.

The Fund invests predominantly in securities listed on the ASX and investments that are likely to be listed on the ASX in the future and Australian denominated cash. The Fund's goal is to produce superior long-term returns from a selected number of underlying investments, irrespective of short term price movements.

The financial statements of the Fund are for the year ended 30 June 2017. The financial statements are presented in the Australian currency.

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

## **2 Summary of significant accounting policies**

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit 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 do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

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

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

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

The amendments to AASB 107 *Statement of Cash Flows* have been early adopted. The Fund has elected to adopt the amendments made by AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* early. This amendment requires disclosure of changes in liabilities arising from financing activities. The relevant information is provided in Note 7.

There are no other new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2016 that have a material impact on the Fund.

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

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

#### *(iii) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 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 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The Directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not materially impact the Fund.

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

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 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 distributions 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 AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

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

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

#### *(i) Classification*

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

- 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 at any time prior to maturity. These are investments in Australian listed and unlisted securities.

Financial assets 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 assets on a fair value basis together with other related financial information.

#### *(ii) Recognition/derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.



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

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

#### *(iii) Measurement*

##### *Financial instruments held at fair value through profit or loss*

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

For further details on how the fair value of financial instruments is determined, please see 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 the Fund has 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.

As at the end of the reporting period, there are no financial assets or liabilities offset or which could be offset in the Statement of Financial Position.

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

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund.

The Fund is a closed-end Fund and is not subject to applications and redemptions.

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

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Fund's main income generating activity.

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

Interest income on cash and cash equivalents is recognised in the Statement of Comprehensive Income on an accruals basis.

Changes in fair value of financial instruments held at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of Comprehensive Income.

Trust distributions are recognised on an entitlement basis.

Other income is recognised on an accruals basis.

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

### **(f) Expenses**

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

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

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

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

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

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

### **(h) Distributions**

The Fund distributes its distributable income annually in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

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

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

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

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

### **(k) Receivables**

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

Receivables also include such items as Reduced Input Tax Credits (RITC).

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

### **(l) Payables**

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

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the Statement of Financial Position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

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

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

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%; hence investment management fees 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.

### **(n) Use of estimates**

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and are 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.

For more information on how fair value is calculated please refer to Note 4 to the financial statements.

### **(o) Rounding of amounts**

The Fund is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that legislative instrument, unless otherwise indicated.

### **(p) Comparative revisions**

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

## **3 Financial risk management**

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

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity is limited to the fair value of those positions.

Financial risk management is carried out by the investment management team at Forager Funds Management Pty Ltd. The Investment Manager of the Fund is aware of the risks associated with the business of investment management. A financial risk management framework has been established within the Investment Manager which incorporates a regular assessment process to ensure that procedures and controls adequately manage the risks arising from current business activities.

Compliance is integrated into the day to day operations of the Responsible Entity Services team, a Perpetual Corporate Trust (CT) business unit.

The Responsible Entity also has in place a framework to identify, control, report and manage compliance and business obligations, and to ensure that the interests of unitholders in the Fund are protected.

### 3 Financial risk management (continued)

This framework includes:

- Policies and procedures;
- Committee and board reporting;
- Staff training;
- Formal service provider agreements;
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian (the "Service Providers");
- Regular reviews of Service Providers; and
- Monitoring of Responsible Entity Services compliance in accordance with Risk and Control Self-Assessment methodology.

Responsible Entity Services team is ultimately responsible for compliance monitoring. The Responsible Entity Services team includes the roles of Head of Responsible Entity Services, Senior Risk Manager, Senior Manager - Corporate Clients and Client Manager - Corporate Clients.

Responsible Entity Services undertakes monitoring reviews of the Fund's Service Providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the Service Providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of market risk and ratings analysis for credit risk.

#### (a) Market risk

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

The Fund is exposed to market risks influencing investment valuations.

##### (i) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting instruments traded in the market.

As the majority of the Fund's investments are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect net investment income.

The Fund has built in procedures to ensure adherence to the Fund's investment guidelines at all times.

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

	<b>As at</b>	
	<b>30 June</b>	30 June
	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
Listed equity securities	<b>131,922</b>	74,499
Unlisted unit trusts	<b>459</b>	484
	<b>132,381</b>	74,983

The Fund mitigates price risk and related concentration risk through diversification and a careful selection of securities and other financial instruments in accordance with the Fund's investment guidelines.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Price risk (continued)

The table in Note 3(b) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit and net assets attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2016: +/- 10%) from the year end prices with all other variables held constant.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The table below summarises the Fund's exposure to interest rate risks at the end of the reporting period.

#### As at 30 June 2017

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Assets</b>				
Cash and cash equivalents	29,692	-	-	29,692
Receivables	-	-	289	289
Financial assets held at fair value through profit or loss	-	-	132,381	132,381
<b>Total assets</b>	<b>29,692</b>	<b>-</b>	<b>132,670</b>	<b>162,362</b>
<b>Liabilities</b>				
Distributions payable	-	-	(9,799)	(9,799)
Payables	-	-	(2,139)	(2,139)
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>11,938</b>	<b>11,938</b>
<b>Net exposure</b>	<b>29,692</b>	<b>-</b>	<b>120,732</b>	<b>150,424</b>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

As at 30 June 2016

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Assets</b>				
Cash and cash equivalents	14,815	10,000	-	24,815
Receivables	-	-	80	80
Due from brokers - receivable for securities sold	-	-	178	178
Financial assets held at fair value through profit or loss	-	-	74,983	74,983
<b>Total assets</b>	<b>14,815</b>	<b>10,000</b>	<b>75,241</b>	<b>100,056</b>
<b>Liabilities</b>				
Distributions payable	-	-	(10,656)	(10,656)
Payables	-	-	(295)	(295)
Due to brokers - payable for securities purchased	-	-	(1,398)	(1,398)
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>12,349</b>	<b>12,349</b>
<b>Net exposure</b>	<b>14,815</b>	<b>10,000</b>	<b>62,892</b>	<b>87,707</b>

The table in Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 100 basis points (2016: +/- 100 basis points) from the year end rates with all other variables held constant.

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate having regard to a number of factors, including historical levels of changes in interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/(loss)/ Net assets attributable to unitholders			
	Price risk		Interest rate risk	
	-10%	+10%	-100bps	+100bps
	\$'000	\$'000	\$'000	\$'000
<b>30 June 2017</b>	<b>(13,192)</b>	<b>13,192</b>	<b>(297)</b>	<b>297</b>
30 June 2016	(7,450)	7,450	(248)	248

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

#### **(c) Credit risk**

The Fund is exposed to credit risk, which is the risk that the counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

The Fund trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Fund's policy to securitise its trade and other receivables.

#### **(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.

The Fund will invest in no more than 10% of its assets into unlisted securities and will typically only do so if a security is expected to become listed in the future or was listed at the time of purchase but has delisted. During 2017 and 2016, the Fund's strategy was to hold at least 90% of the net assets attributable to unitholders in liquid assets, which include cash and cash equivalents and listed securities.

##### *(i) Maturities of non-derivative financial liabilities*

All non-derivative financial liabilities of the Fund in the current and prior year have maturities of less than one month.

### **4 Fair value measurement**

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets designated at fair value through profit or loss (FVTPL) (see Note 6)

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy;

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

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

The fair value of financial assets traded in active markets (such as publicly traded derivatives and listed equity securities) is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

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

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

#### 4 Fair value measurement (continued)

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

Investments in other unlisted unit trusts are recorded at the redemption value per unit net of discount rate applied as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

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.

##### (iii) Recognised fair value measurements

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

<b>At 30 June 2017</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	<b>131,922</b>	-	-	<b>131,922</b>
Unlisted equity securities and unit trusts	-	-	<b>459</b>	<b>459</b>
<b>Total financial assets</b>	<b>131,922</b>	-	<b>459</b>	<b>132,381</b>
 At 30 June 2016	 Level 1 \$'000	 Level 2 \$'000	 Level 3 \$'000	 Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	74,499	-	-	74,499
Unlisted equity securities and unit trusts	-	-	484	484
<b>Total financial assets</b>	<b>74,499</b>	-	<b>484</b>	<b>74,983</b>

##### (iv) Transfers between levels

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

There were no transfers between levels at the end of the reporting period.



#### 4 Fair value measurement (continued)

(v) Fair value measurements using significant unobservable inputs (level 3)

At 30 June 2017	Unlisted unit trust \$'000
Opening balance - 1 July	484
Gains and losses recognised in the Statement of Comprehensive Income	(25)
Closing balance - 30 June	459
At 30 June 2016	
Opening balance - 1 July	552
Gains and losses recognised in the Statement of Comprehensive Income	(68)
Closing balance - 30 June	484

*Level 3 investments comprise:*

1. An investment was previously held in Centrebet International Limited, formerly listed on the ASX. A scheme of arrangement was entered into with all shareholders in August 2011 resulting in the shareholders receiving a cash payment as well as one litigation claim unit and one litigation claim right per share.

Following delisting of Centrebet International Limited and receipt of litigation claim units and litigation claim rights, the Fund's investment was reclassified from 'level 1' to 'level 3'. Additional units were purchased in August 2011.

For these financial instruments the fair value has been estimated using a valuation technique that uses non-market observable data. Payments are estimated to be completed by 2035. A discount rate of 12% has been applied.

2. An investment held in Brookfield Australian Opportunities Fund was delisted on 29 October 2012, and wound up on 30 October 2012. Unitholders in the Fund received one unit in BAO Trust for each unit held in the Fund. The security is unlisted and is valued at 1.690 cents per unit.

##### *Valuation processes*

Valuation of level 3 securities is performed monthly, or when distribution payments are received from the underlying investments.

For Centrebet International Limited, a discounted cash flow method is applied when valuing the potential future value of the investment. This is based on the expected cash flow from the litigation claim discounted at a rate of 12%. Changing the discount rate would have the following impact on fair value:

	Effect on fair value Higher/(Lower)	
	30 June 2017 \$'000	30 June 2016 \$'000
Discount rate +1%	(15)	(13)
Discount rate -1%	16	14

#### **4 Fair value measurement (continued)**

(v) *Fair value measurements using significant unobservable inputs (level 3) (continued)*

*Valuation processes (continued)*

For Brookfield Australian Opportunities Fund, the manager has determined that it is appropriate to discount the published net tangible asset value of the investment by 30% due to the investment trading at a 30% discount to net asset value prior to delisting. The table below demonstrates the impact of a 10% price movement to the discounted net asset value.

	<b>Effect on fair value Higher/(Lower)</b>	
	<b>30 June 2017 \$'000</b>	<b>30 June 2016 \$'000</b>
Price movement +10%	<b>2</b>	6
Price movement -10%	<b>(2)</b>	(6)

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

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

Net assets attributable to unitholders' carrying value does not differ from its fair value (deemed to be redemption price for individual units) due to no differences in valuation inputs.

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

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

	<b>Year ended</b>	
	<b>30 June 2017 \$'000</b>	<b>30 June 2016 \$'000</b>
<b>Financial assets</b>		
Net gain/(loss) on financial assets designated as at fair value through profit or loss	<b>27,974</b>	11,894
Net gains/(losses) on financial assets held at fair value through profit or loss	<b>27,974</b>	11,894
Net realised gain/(loss) on financial assets at fair value through profit or loss	<b>10,370</b>	12,055
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	<b>17,604</b>	(161)
Net gains/(losses) on financial assets held at fair value through profit or loss	<b>27,974</b>	11,894
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>27,974</b>	11,894

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

	<b>As at</b>	
	<b>30 June 2017 \$'000</b>	<b>30 June 2016 \$'000</b>
<b>Designated at fair value through profit or loss</b>		
Listed equity securities	<b>131,922</b>	74,499
Unlisted equity securities and unit trusts	<b>459</b>	484
Total designated at fair value through profit or loss	<b>132,381</b>	74,983
<b>Total financial assets held at fair value through profit or loss</b>	<b>132,381</b>	74,983

The market values of all investments as at 30 June 2017 are disclosed on page 4 of the Annual Report. Listed securities are readily saleable with no fixed terms.

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the Statement of Comprehensive Income.

### (a) Risk exposure and fair value measurements

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and 4 to the financial statements.

## 7 Net assets attributable to unitholders

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

	<b>Year ended</b>			
	<b>30 June 2017 Units '000</b>	<b>30 June 2017 \$'000</b>	<b>30 June 2016 Units '000</b>	<b>30 June 2016 \$'000</b>
Opening balance	<b>60,049</b>	<b>87,707</b>	42,690	59,245
Applications	<b>25,756</b>	<b>42,328</b>	16,415	25,774
Redemptions	<b>(2,962)</b>	<b>(4,839)</b>	(1,757)	(2,669)
Reinvestment of distributions	<b>4,797</b>	<b>7,010</b>	2,701	3,747
Increase/(decrease) in net assets attributable to unitholders	-	<b>18,218</b>	-	1,610
Closing balance	<b>87,640</b>	<b>150,424</b>	60,049	87,707

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit 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 Fund considers its net assets attributable to unitholders as capital, notwithstanding that net assets attributable to unitholders are classified as a liability.

Generally the Fund's strategy is to hold liquid investments. Liquid assets include cash and cash equivalents and listed investments.

The Fund became a closed-ended Fund during the period and is not subject to applications and redemptions. The movements in the number of units were as a result of applications and redemptions processed prior to the Fund becoming closed-ended and additional units being allotted under the dividend reinvestment plan.

## 8 Distributions to unitholders

The distributions declared during the year were as follows:

	Year ended			
	30 June 2017 \$'000	30 June 2017 CPU	30 June 2016 \$'000	30 June 2016 CPU
Distributions paid and payable	<b>9,799</b>	<b>11.1808</b>	10,656	17.7456
	<b>9,799</b>	<b>11.1808</b>	10,656	17.7456

## 9 Cash and cash equivalents

	As at	
	30 June 2017 \$'000	30 June 2016 \$'000
Cash at bank	<b>29,692</b>	14,815
Term deposit	-	10,000
<b>Total cash and cash equivalents</b>	<b>29,692</b>	24,815

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

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

	Year ended	
	30 June 2017 \$'000	30 June 2016 \$'000
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	<b>18,218</b>	1,610
Distributions to unitholders	<b>9,799</b>	10,656
Proceeds from sale of financial instruments held at fair value through profit or loss	<b>35,705</b>	37,846
Purchase of financial instruments held at fair value through profit or loss	<b>(66,028)</b>	(39,654)
Net losses/(gains) on financial instruments held at fair value through profit or loss	<b>(27,974)</b>	(11,894)
Dividends reinvested	<b>(320)</b>	-
Net change in receivables	<b>(259)</b>	(16)
Net change in payables	<b>1,847</b>	202
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(29,012)</b>	(1,250)

## 10 Reconciliation of profit to net cash inflow/(outflow) from operating activities (continued)

### (b) Non-cash financing activities

	Year ended	
	30 June 2017 \$'000	30 June 2016 \$'000
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	7,010	3,747
<b>Total non-cash financing activities</b>	<b>7,010</b>	<b>3,747</b>

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

## 11 Receivables

	As at	
	30 June 2017 \$'000	30 June 2016 \$'000
Interest receivable	40	11
Applications receivable	-	50
GST receivable	186	19
Other receivables	63	-
<b>Total receivables</b>	<b>289</b>	<b>80</b>

## 12 Payables

	As at	
	30 June 2017 \$'000	30 June 2016 \$'000
Responsible Entity fees payable	38	6
Management fees payable	147	65
Performance fees payable	1,882	173
Redemptions payable	-	3
Other payables	72	48
	<b>2,139</b>	<b>295</b>

### 13 Remuneration of auditors

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

	<b>Year ended</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Ernst &amp; Young</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	<b>40,000</b>	14,000
Audit of compliance plan	<b>4,500</b>	3,800
Total remuneration of audit and other assurance services	<b>44,500</b>	17,800
<i>Taxation services</i>		
Tax compliance services	-	3,500
Total remuneration for taxation services	-	3,500
<i>Other services</i>		
Non-audit services	<b>11,000</b>	-
<b>Total remuneration of Ernst &amp; Young</b>	<b>55,500</b>	21,300

	<b>Year ended</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>PricewaterhouseCoopers Australian Firm</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	<b>3,465</b>	-
Total remuneration of audit and other assurance services	<b>3,465</b>	-
<b>Total remuneration of PricewaterhouseCoopers Australian Firm</b>	<b>3,465</b>	-

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

### 14 Earnings per unit

Basic earnings per unit amounts are calculated by dividing net profit/(loss) attributable to unitholders before distributions by the weighted average number of units outstanding during the year.

Diluted earnings per unit are the same as basic earnings per unit.

	<b>Year ended</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit attributable to unitholders (\$'000)	<b>28,017</b>	12,266
Weighted average number of units in issue ('000)	<b>83,508</b>	51,565
Basic and diluted earnings per unit in cents	<b>33.55</b>	23.79

## **15 Segment information**

The Fund has only one reportable segment. The Fund operates predominantly in Australia and is engaged solely in investment activities, deriving revenue from dividend and distribution income, interest income and from the sale of its investment portfolio.

## **16 Related party transactions**

The Responsible Entity of Forager Australian Shares Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Trust Company (RE Services) Limited was appointed Responsible Entity on 17 October 2016 following the retirement of Fundhost Limited who acted as Responsible Entity from the inception of the Fund until 16 October 2016. The Responsible Entity is a wholly owned subsidiary in the Perpetual Limited Group (ASX: PPT). Accordingly, transactions with entities related to The Trust Company (RE Services) Limited and Fundhost Limited are disclosed below.

The Responsible Entity has contracted services to Forager Funds Management Pty Ltd to act as Investment Manager for the Fund, Link Fund Solutions Pty Limited (formerly White Outsourcing Pty Limited) to act as Administrator and Custodian and J.P. Morgan Chase Bank, N.A. (Sydney Branch) to act as Sub-custodian for the Fund. The contracts are on normal commercial terms and conditions.

### **(a) Directors**

Key management personnel include persons who were Directors of the Responsible Entity at any time during or since the end of the financial year up to the date of this report.

The following persons held office as Directors of Fundhost Limited from 1 July 2016 to 16 October 2016:

Valerie Anne Monge  
Paul Ernest Dortkamp  
Robert H Nagel

The following persons held office as Directors of The Trust Company (RE Services) Limited from 17 October 2016 and up to the date of this report:

Andrew Vincent Cannane  
Christopher Green  
Michael Henry Vainauskas  
Glenn Foster  
Vicki Riggio (Alternate Director for Andrew Cannane) (appointed 1 November 2016)  
Rodney Garth Ellwood (Alternate Director for Christopher Green) (resigned as Alternate Director for Andrew Vincent Cannane 3 April 2017)  
Andrew McIver (Alternate Director Michael Vainauskas) (appointed 13 January 2017)  
Neil Wesley (Alternate Director for Glenn Foster) (appointed 13 January 2017) (resigned 14 July 2017)  
Gillian Larkins (Alternate Director for Glenn Foster) (appointed 14 July 2017)

### **(b) 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 year.

### **(c) Transactions with key management personnel**

There were no transactions with key management personnel during the reporting period.

Key management personnel did not hold units in the Fund as at 30 June 2017 (30 June 2016: nil).

### **(d) Key management personnel compensation**

Key management personnel are paid by The Trust Company (RE Services) Limited. Payments made from the Fund to The Trust Company (RE Services) Limited do not include any amounts directly attributable to the compensation of key management personnel. Prior to 17 October 2016, key management personnel were paid by Fundhost Limited.

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

### **(e) Key management personnel loans**

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

### **(f) Other transactions within the Fund**

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

### **(g) Responsible Entity and Investment Manager's fees and other transactions**

Under the terms of the Fund's Constitution and Product Disclosure Statement, the Responsible Entity and the Investment Manager are entitled to receive management fees. The Investment Manager is also entitled to a performance fee.

The transactions during the year between the Fund, the Responsible Entity and the Investment Manager were as follows:

	<b>30 June 2017</b>	30 June 2016
	<b>\$</b>	<b>\$</b>
Investment management fees for the year	<b>1,377,459</b>	651,027
Performance fees for the year	<b>2,503,738</b>	708,792
Expense reimbursement income for the year	<b>(338,116)</b>	(464)
Responsible Entity fees for the year	<b>137,940</b>	65,457
Administration fees charged by the Responsible Entity for the year	<b>-</b>	107,006

Investment Management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

The amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	<b>30 June 2017</b>	30 June 2016
	<b>\$</b>	<b>\$</b>
Total fees payable to the Investment Manager at year end	<b>2,029,149</b>	237,602
Total fees (receivable)/payable for reimbursement (income)/fees at year end	<b>(62,679)</b>	37,113
Total fees payable to the Responsible Entity at year end	<b>38,228</b>	17,118

The Fund has entered into a Management Agreement with Forager Funds Management Pty Ltd ("Investment Manager") such that it will manage investments of the Fund, ensure regulatory compliance with all the relevant laws and regulations, and provide administrative and other services for a fee.

A performance fee is payable to Forager Funds Management Pty Ltd where the investment performance of the Fund exceeds 8% per annum. The performance fee is 10% of the gross total return of the Fund in excess of 8% (i.e. before the deduction of any fees, costs, expenses or taxes), calculated and paid semi-annually in arrears based on the average net asset value of the Fund over the relevant six month period.

### **(h) Related party unitholdings**

Parties related to the Fund (FundHost Limited, its related parties and other funds managed by FundHost Limited), held units in the Fund as follows:



## 16 Related party transactions (continued)

### (h) Related party unitholdings (continued)

**30 June 2017**

<b>Unitholder</b>	<b>No. of units held opening (Units)</b>	<b>No. of units held closing (Units)</b>	<b>Interest held (%)</b>	<b>No. of units acquired (Units)</b>	<b>No. of units disposed (Units)</b>	<b>Distributions paid/payable by the Fund (\$)</b>
Robert H. Nagel Super Fund*	79,396	89,041	0.10	9,645	-	9,956

\*Robert H. Nagel Super Fund ceased to be a related party from 17 October 2016 as a result of the resignation of Fundhost Limited as the Responsible Entity of the Fund.

**30 June 2016**

	<b>No. of units held opening (Units)</b>	<b>No. of units held closing (Units)</b>	<b>Interest held (%)</b>	<b>No. of units acquired (Units)</b>	<b>No. of units disposed (Units)</b>	<b>Distributions paid/payable by the Fund (\$)</b>
Robert H. Nagel Super Fund*	53,314	79,396	0.13	26,082	-	14,089

Parties related to the Fund (including The Trust Company (RE Services) Limited, its related parties and other funds managed by The Trust Company (RE Services) Limited and the Investment Manager), held units in the Fund as follows:

**30 June 2017**

<b>Unitholder</b>	<b>No. of units held opening (Units)</b>	<b>No. of units held closing (Units)</b>	<b>Interest held (%)</b>	<b>No. of units acquired (Units)</b>	<b>No. of units disposed (Units)</b>	<b>Distributions paid/payable by the Fund (\$)</b>
Senefelder Super Fund	356,859	485,281	0.53	128,422	-	54,258
The Senefelder Trust	226,063	168,457	0.19	-	(57,606)	18,835
Tema Super Fund	35,102	133,889	0.15	98,787	-	14,970

**30 June 2016**

Senefelder Super Fund	292,893	356,859	0.59	63,966	-	63,327
The Senefelder Trust	226,063	226,063	0.38	-	-	40,116
Tema Super Fund	32,002	35,102	0.06	3,100	-	6,229

### (i) Investments

The Fund did not hold any investments in The Trust Company (RE Services) Limited, Forager Funds Management Pty Ltd or its related parties during the year. Prior to 17 October 2016, the Fund did not hold any investments in Fundhost Limited.

## 17 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 June 2017 or on the results and cash flows of the Fund for the year ended on that date.

## 18 Contingent assets and liabilities and commitments

There are no contingent assets, liabilities or commitments as at 30 June 2017 and 30 June 2016.

## **Directors' Declaration**

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 14 to 37 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 2017 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director  
The Trust Company (RE Services) Limited

Sydney  
30 August 2017

## Independent Auditor's Report

To the unitholders of Forager Australian Shares Fund

Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Forager Australian Shares Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2017, the statement of 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 of the Fund.

In our opinion:

the accompanying financial report of Forager Australian Shares Fund is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### 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 the Fund in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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 judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the

procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Investment Existence and Valuation

### Why significant

As a listed investment Fund, the Fund has a significant investment portfolio consisting primarily of listed securities. As at 30 June 2017, the values of these financial assets, per Note 6 to the financial report was \$132,381,000.

As detailed in the Fund's accounting policy, as described in Note 2 to the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standard - AASB 139: *Financial Instruments Recognition and Measurement* (AASB 139).

Disclosures regarding the Fund's financial assets held at fair value through profit or loss are included in Note 3, Note 4, Note 5 and Note 6 to the financial report

Existence and valuation of investment is a key audit matter as the investment portfolio comprises 88% of the net assets of the Fund.

### How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of relevant controls in place around the recognition and valuation of investments, through review of the audited internal controls report prepared under ASAE 3402 *Assurance Reports on Controls at a Service Organisation* of the Fund's administrator.

We agreed all investment holdings to third party confirmations at 30 June 2017.

To validate the fair value of investment holdings were in accordance with AASB 139, we agreed the quoted market prices of listed securities to independent pricing sources.

We assessed the adequacy of the disclosures in Note 3, Note 4, Note 5, and Note 6 to the financial report in line with AASB 139, AASB 7: *Financial Instruments Disclosures* and AASB 13: *Fair Value Measurement*.

## 2. Management and Performance Fees

### Why significant

The Fund's accounting policy for management and performance fees is described in Note 2 to the financial report. All expenses are recognised on an accruals basis, with performance fees recognised in the financial report if the performance hurdles for the Fund have been met at the end of the relevant measurement period, which is the date where certainty exists that the criteria have been met and the liability has been crystallised.

As at 30 June 2017, management fees totaled \$1,377,000 which equates to 31% of total expenses.

As at 30 June 2017, performance fees totaled \$2,504,000, which equates to 56% of total expenses.

### How our audit addressed the key audit matter

We assessed the design and operating effectiveness of the key controls in place in relation to the calculation of management and performance fees, through review of the audited internal controls report of the administrator. We relied on these controls to gain assurance over the calculation of the fee expenses.

We assessed the performance fee eligibility calculations including checks on the inputs into the calculation model and whether the methodology was in line with the underlying service agreements.

We performed a recalculation of management and performance fees, in accordance with contractual arrangements including agreeing the contract rate to the calculation.

The assessment of performance fee arrangements can be complex and judgmental due to uncertainty around future performance.

The quantum of these expenses and the impact that variability of the market can have on the recognition and payment of performance fees results in this being a key area of audit focus. The disclosure of these amounts is included in Note 16 to the financial report.

We assessed the adequacy of the disclosures in Note 16 to the financial report.

### Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Fund's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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.

### Directors' Responsibilities for the Financial Report

The Directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 preparing the financial report, the Directors are responsible for assessing the Fund'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 Fund or cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent 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.

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 to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the 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.

Ernst & Young

Ernst & Young



Rohit Khanna  
Partner

Sydney  
30 August 2017

**Forager Australian Shares Fund  
Unitholder and Other Information**

The information set out below was applicable as at 31 July 2017

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

**A. Distribution of unitholders**

Analysis of numbers of unitholders by size of holding:

Size of holding	Number of unitholders	Number of units	% of units issued
Ranges			
1 to 1,000	63	34,293	3.35
1,001 to 5,000	188	566,941	10.00
5,001 to 10,000	281	2,071,299	14.95
10,001 to 100,000	1,188	41,577,715	63.19
100,001 and Over	160	46,795,705	8.51
<b>Total</b>	<b>1,880</b>	<b>91,045,953</b>	<b>100.00</b>

The number of unitholders holding less than a marketable parcel of \$500 worth of units is 10 and they hold a total 846 units.

**B. Largest unitholders**

*Twenty largest unitholders*

The names of the twenty largest holders of quoted units are listed below:

Name of unitholder	Number of units	% of units issued
BRAZIL FARMING PTY LTD	3,906,048	4.29
TRANSFIELD FINANCE PTY LTD	3,011,865	3.31
CATRETA PTY LTD	1,303,482	1.43
MR AARON SHELLEY & MISS TENNILLE SHELLEY	1,223,258	1.34
MR IAN WILLIAM TURNBULL	1,168,639	1.28
JELLY PTY LTD <MACLEOD SUPER FUND>	1,046,998	1.15
BIG MAX INDUSTRIES PTY LTD	1,022,535	1.12
SUPER SUPER NO 1 PTY LTD	796,836	0.88
JELLY PTY LTD <CHALE TRUST>	794,642	0.87
FORSYTH BARR CUSTODIANS LTD	757,084	0.83
MR RICHARD COLLINS & MRS MARY MARION COLLINS	742,485	0.82
MR JOHN MICHAEL WOODHEAD & MRS TUTZ WOODHEAD	709,213	0.78
MR SCOTT PLUNKETT	678,467	0.75
MR GAVIN GERARD DOUGLAS & MRS SALLY MAREE DOUGLAS	617,781	0.68
WRITEMAN PTY LIMITED	610,649	0.67
MR STEPHEN PATRICK COLES	576,558	0.63
MR JOHN REILLY	555,509	0.61
MR STEVEN JOHNSON & MR BRENDON JOHNSON	516,892	0.57
MR MORGAN CHARLES SANDERCOCK	508,995	0.56
PLATINUM MANAGEMENT GROUP PTY LTD	501,057	0.55
<b>Total</b>	<b>21,048,993</b>	<b>23.12</b>



### **C. Substantial holders**

There are no substantial unitholders.

### **D. Voting rights**

Voting rights which may attach to or be imposed on any unit or class of units is as follows:

- (a) On a show of hands every unitholder present will have 1 vote; and
- (b) On a poll every unitholder present will have 1 vote for each dollar of the value of the total interests they have in the Fund.

### **E. Investment Transactions**

The total number of contract notes that were issued for transactions in securities during the financial year was 307. Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was \$204,669.

### **F. Stock Exchange Listing**

The Fund's units are listed on the Australian Securities Exchange and are traded under the code "FOR".

### **G. Unquoted Units**

There are no unquoted units on issue.

### **H. Voluntary Escrow**

There are no restricted units in the Fund or units subject to voluntary escrow.

### **I. On-Market Buy-Back**

There is no current on-market buy-back.

### **J. Registered Office of the Responsible Entity**

The Trust Company (RE Services) Limited  
Level 18, 123 Pitt Street  
Sydney NSW 2000  
Telephone: 02 8295 8100

### **K. Unit Registry**

Name: Link Market Services Limited  
Street address: Level 12, 680 George Street  
Sydney NSW 2000

Postal address: Locked Bag A14  
Sydney South NSW 1235

Phone (inside Australia): 1800 502 355  
Phone (outside Australia): +61 2 8280 7111  
Fax: +61 2 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### **L. Responsible Entity Company Secretaries**

Glenda Susan Charles  
Sylvie Dimarco