



ANNUAL FINANCIAL REPORT

FOR THE PERIOD 22 DECEMBER 2017 TO 30 JUNE 2018

AIRLIE AUSTRALIAN SHARE FUND: ABN 67 764 357 242

AIRLIE AUSTRALIAN SHARE FUND

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AIRLIE AUSTRALIAN SHARE FUND

Responsible Entity's Report

for the period 22 December 2017 to 30 June 2018

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Airlie Australian Share Fund (the "Fund" or "AASF") present their first report on the Fund for the period 22 December 2017 to 30 June 2018.

1.0 Directors

The following persons were Directors of MAM during the period and up to the date of this report:

Name	Directorship	Appointed
Brett Cairns	Executive Chairman	22 January 2007
Hamish Douglass	CEO and Chief Investment Officer	21 November 2006
John Eales	Non-Executive Director	1 July 2017
Robert Fraser	Non-Executive Director and Senior Independent Director	23 April 2014
Paul Lewis	Non-Executive Director	20 December 2006
Hamish McLennan	Non-Executive Director	1 March 2016
Karen Phin	Non-Executive Director	23 April 2014

1.1 Principal Activity

The Fund is a registered managed investment scheme domiciled in Australia, with a principal place of business at Level 36, 19 Martin Place, Sydney, New South Wales 2000. The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018.

MAM as Responsible Entity is responsible for the overall operations of the Fund. MAM has appointed Airlie Funds Management Pty Limited ("Airlie" or "Investment Manager") to provide investment management services in respect of the Fund. Airlie is a specialist Australian equities fund manager which brings together some of Australia's most experienced industry participants. Airlie has an active, value-based investment style that aims to deliver attractive long-term capital growth and regular income to its investors. Founded by John Sevier and David Cooper in 2012 and headquartered in Sydney, Airlie manages a range of Australian equities strategies, primarily for institutional and high net wealth clients. Airlie is a wholly-owned subsidiary of the Responsible Entity.

The Fund invests in a portfolio of between 15 and 35 Australian equities to produce significant wealth accumulation through active management. The Fund's primary investment objective is to provide long-term capital growth and regular income (as detailed in the Product Disclosure Statement, issued 22 May 2018).

1.2 Significant Changes In State Of Affairs

There were no significant changes in the state of affairs of the Fund during the period.

AIRLIE AUSTRALIAN SHARE FUND

Responsible Entity's Report

for the period 22 December 2017 to 30 June 2018

1.3 Review Of Financial Results And Operations

a) Financial Results For The Period

The performance of the Fund, as represented by the results of its operations for the period 22 December 2017 to 30 June 2018, was as follows:

	Inception to 30 June 2018 (A)
Results	
Total net investment income (\$)	244,968
Total expenses (\$)	8,578
Net Operating Profit/(Loss) (\$)	236,390
Distributions	
Distribution payable to unitholders (\$)	3,141
Distribution paid and payable (cents per unit) (refer (i) below for components)	0.11
Unit Price	
Unit price (net asset value) (ex-distribution) (\$)	2.6017
Redemption Unit Price (ex-distribution) (\$)	2.5980
Indirect Cost Ratio ^(B)	
Management and administration fee (%)	0.06
Total Indirect Cost Ratio (%)	0.06

^(A) The Fund commenced trading on 31 May 2018 ("inception").

^(B) The Total Indirect Cost Ratio ("ICR") is the ratio of the Fund's actual management costs over the average portfolio value expressed as a percentage, for the period from inception to 30 June 2018, based on an annual management and administration fee of 0.755% per annum. Management costs, accrued within the Fund's unit prices on a daily basis, include management and administration fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

(i) Distribution components for the final distribution for the period to 30 June 2018, which can be found on the Airlie Australian Share Fund website, www.airlieaustraliansharefund.com.au, are below:

	Final Distribution Inception to 30 June 2018 cents per unit
Domestic Income	
Interest	0.04
Other income	0.07
Foreign Sourced Income	0.01
Total Distribution	0.11
Non-Cash Distribution Components	
Total Non-Cash Distribution Components	-
Gross Distribution	0.11

AIRLIE AUSTRALIAN SHARE FUND

Responsible Entity's Report

for the period 22 December 2017 to 30 June 2018

1.3 Review Of Financial Results And Operations (continued)

b) Performance Returns

The performance returns for the period to 30 June shown in the table below have been calculated using redemption unit prices for the Fund, which are after fees and expenses, assuming reinvestment of distributions at net asset value. The returns are calculated daily, compounded to produce longer period returns.

	Inception to 30 June 2018 (A) %
Growth return (B)	4.1
Distribution return (C)	0.1
Total Return (D)	4.2

(A) The Fund commenced trading on 31 May 2018. As a result, the performance returns were measured from inception to 30 June 2018.

(B) The Growth return is calculated daily as a percentage by dividing the unit price (ex-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns

(C) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

(D) The Total return is calculated daily as a percentage by dividing the unit price (cum-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Total returns are then compounded to produce longer period returns

c) Strategy And Future Outlook

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. Therefore, 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.

As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement of expected results of operations. The Fund provides daily unit prices, monthly fund updates and quarterly portfolio disclosure, which can be found on the Airlie Australian Share Fund website, www.airlieaustraliansharefund.com.au. These Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

1.4 Interest In The Fund

The movement in units on issue in the Fund is disclosed in Note 7 to the financial statements.

As at reporting date, unitholders' equity of the Fund is \$7,171,250.

1.5 Likely Developments And Expected Results Of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the Product Disclosure Statement. The method of operating the Fund is not expected to change in the foreseeable future however the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

1.6 Events Subsequent To The End Of The Period

There have been no matters or circumstances arising after the end of the year that have significantly affected, or may significantly affect, the Fund's operations, the results of those operations, or the Fund's state of affairs in future years.

1.7 Indemnification And Insurance Of Directors And Officers

The Directors and Officers of the Responsible Entity in office are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in their capacity of Directors and Officers of the Responsible Entity, other than for conduct involving a wilful breach of duty in relation to the Responsible Entity. During the year, Magellan Financial Group Limited paid, on behalf of the Responsible Entity, an insurance premium to insure the Directors and Officers of the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

AIRLIE AUSTRALIAN SHARE FUND

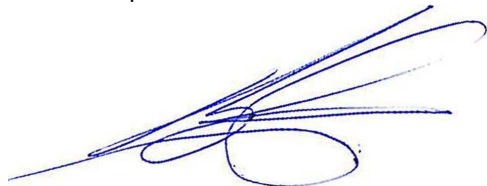
Responsible Entity's Report

for the period 22 December 2017 to 30 June 2018

1.8 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 7.

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



Brett Cairns

Executive Chairman

Sydney, 3 September 2018



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Auditor's Independence Declaration to the unitholders of Airlie Australia Share Fund

As lead auditor for the audit of Airlie Australia Share Fund for the period ended 30 June 2018, 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

Rita Da Silva
Partner
3 September 2018

AIRLIE AUSTRALIAN SHARE FUND

Statement Of Profit Or Loss And Other Comprehensive Income

for the period 22 December 2017 to 30 June 2018

	Note	22 Dec 2017 to 30 June 2018 (A) \$
Investment Income		
Dividend and distribution income		14,786
Interest income		1,256
Net change in fair value of investments - designated at fair value through profit or loss		228,926
Total Net Investment Income		244,968
Expenses		
Management and administration fees	9 c)	3,842
Brokerage costs		4,736
Total Expenses		8,578
Profit/(Loss) For The Period		236,390
Other comprehensive income for the period		-
Total Comprehensive Income For The Period		236,390

^(A) The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018. The Fund's first reporting period covers 22 December 2017 to 30 June 2018 and as a result there are no prior period comparatives.

The above Statement Of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

AIRLIE AUSTRALIAN SHARE FUND

Statement Of Financial Position

as at 30 June 2018

	Note	30 June 2018 (A) \$
Assets		
Cash and cash equivalents	3	714,616
Receivables	4	29,673
Investments	5	7,060,406
Total Assets		7,804,695
Liabilities		
Payables	6	630,304
Distribution payable	2	3,141
Total Liabilities		633,445
Total Unitholders' Equity		7,171,250

^(A) The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018. The Fund's first reporting period covers 22 December 2017 to 30 June 2018 and as a result there are no prior period comparatives.

The above Statement Of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

AIRLIE AUSTRALIAN SHARE FUND

Statement Of Changes In Equity

for the period 22 December 2017 to 30 June 2018

	Note	22 Dec 2017 to 30 June 2018 (A) \$'000
Unitholders' Equity At The Beginning Of The Period		-
Profit/(loss) for the period		236,390
Other comprehensive income		-
Total Comprehensive Income For The Period		236,390
Transactions with unitholders in their capacity as owners:		
Issue of units		6,938,001
Distribution payable	2	(3,141)
Total Transactions With Unitholders		6,934,860
Total Unitholders' Equity At The End Of The Period		7,171,250

^(A) The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018. The Fund's first reporting period covers 22 December 2017 to 30 June 2018 and as a result there are no prior period comparatives.

The above Statement Of Changes In Equity should be read in conjunction with the accompanying notes to the financial statements.

AIRLIE AUSTRALIAN SHARE FUND

Statement Of Cash Flows

for the period 22 December 2017 to 30 June 2018

	Note	22 Dec 2017 to 30 June 2018 (A) \$
Cash Flows From Operating Activities		
Brokerage costs paid		(5,094)
Net Cash Inflows/(Outflows) From Operating Activities	8 a)	(5,094)
Cash Flows From Investing Activities		
Purchase of investments		(6,312,946)
Proceeds from sale of investments		107,655
Net Cash Inflows/(Outflows) From Investing Activities		(6,205,291)
Cash Flows From Financing Activities		
Receipts from issue of units		6,925,001
Net Cash Inflows/(Outflows) From Financing Activities		6,925,001
Net Increase/(Decrease) In Cash And Cash Equivalents		714,616
Cash and cash equivalents at the beginning of the period		-
Cash And Cash Equivalents At The End Of The Period	3	714,616

^(A) The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018. The Fund's first reporting period covers 22 December 2017 to 30 June 2018 and as a result there are no prior period comparatives.

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

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

1. Summary Of Significant Accounting Policies

Airlie Australian Share Fund ("the Fund") was registered on 22 December 2017 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 31 May 2018. The Fund terminates on the day immediately preceding the 80th anniversary of the Date of Commencement, unless terminated earlier in accordance with the provisions of the Fund's Constitution.

Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946) is the Responsible Entity of the Fund.

This is the first annual financial report of the Fund and covers the period 22 December 2017 to 30 June 2018. It was authorised for issue by the Directors of the Responsible Entity on 3 September 2018. The Directors have the power to amend and reissue this financial report.

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis Of Preparation

The financial report is a general purpose financial report and has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting requirements and the Fund's Constitution. The financial report is presented in Australian dollars. The Fund is a for-profit entity for the purpose of preparing this financial report.

The Statement Of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss. These fair value assets and liabilities comprise mainly investments, are managed based on the economic circumstances at any given point in time as well as to meet any liquidity requirements. Consequently, the investments that may be realised within 12 months cannot be determined at reporting date.

Adoption of Attribution Managed Investment Trust ("AMIT") Regime

On 5 May 2016, a new tax regime applying to Managed Investment Trusts was established under the Tax Laws Amendment (*New Tax System for Managed Investment Trusts*) Act 2016. The AMIT regime allows Managed Investment Trusts that meet certain requirements to make an irrevocable choice to be an AMIT. As announced in the Product Disclosure Statement dated 22 May 2018, the Fund has elected into the AMIT regime effective from the date of registration. The contractual wording in the Fund's Constitution does not give rise to an obligation, for accounting purposes, to distribute income to unit holders.

As a consequence, the units in the Fund meet the definition of equity under AASB 132 *Financial Instruments: Presentation* (AASB 132) (refer to Note 1(m)). As a result, equity transactions including distributions have been included in the Statement Of Changes In Equity.

New And Amended Accounting Standards

i) Accounting Standards And Interpretations Issued But Not Yet Effective

The Fund has not early adopted any new standards, amendments to standards and interpretations that are not yet effective. None of the new standards and interpretations materially impact the Fund with the exception of those mentioned below:

- **AASB 9: Financial Instruments (AASB 9) (effective 1 July 2018)**

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new requirements the four current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost, and financial assets will only be measured at amortised cost where very specific conditions are met. AASB 9 also introduces new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

The new expected-loss impairment model requires credit losses to be recognised when financial instruments are first recognised, and results in full lifetime expected credit losses recognised when there is a significant increase in credit risk. The balance of financial assets scoped into AASB 9 impairment requirements are not material.

There was no impact on the Fund upon adoption of AASB 9 on 1 July 2018 as the Fund currently classifies financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Fund does not apply hedge accounting.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

1. Summary Of Significant Accounting Policies (continued)

a) Basis Of Preparation (continued)

New And Amended Accounting Standards (continued)

- **AASB 15: Revenue From Contracts With Customers (effective 1 July 2018) (AASB 15)**

AASB 15 supersedes AASB 118 *Revenue* and AASB 111 *Construction Contracts*. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaces the existing notion of risk and rewards.

There was no impact on the Fund upon adoption of AASB 15 on 1 July 2018 as the Fund's revenue recognition of interest, dividend and distribution income and investment gains/(losses) and foreign exchange gains/(losses) was unaffected as these items are excluded from the scope of AASB 15.

b) Functional And Presentation Currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

c) Investment Income

Dividend And Distribution Income

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax. Foreign dividends and distributions received by the Fund are presented gross of withholding tax in the Statement Of Cash Flows, with the foreign withholding tax recorded as an expense in the Statement Of Profit Or Loss And Other Comprehensive Income.

Trust distributions are recognised on an entitlement basis.

Net Changes In Fair Value Of Investments

Realised and unrealised gains and losses on investments are measured at fair value through profit or loss.

Interest Income

Interest income is recognised on an accrual basis using the effective interest rate method.

d) Expenses

All expenses are recognised in the Statement Of Profit Or Loss And Other Comprehensive Income on an accruals basis. Management and administration fees are set out in Note 9 c).

e) Distributions

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's Product Disclosure Statement. Distributable income includes capital gains arising from the disposal of financial assets and liabilities held for trading. Unrealised gains and losses on financial assets and liabilities held for trading that are recognised as income are transferred to unitholders' equity and are not assessable and distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

Distributions to unitholders are recognised directly in equity, and presented in the Statement Of Changes In Equity. A distribution payable is recognised in the Statement Of Financial Position where the distribution has been declared but remains unpaid at reporting date.

f) Income Tax

Under current income tax legislation, the Fund is not subject to income tax provided the Fund attributes the entirety of its taxable income to unitholders. The benefits of imputation credits attached to Australian franked dividends, are passed onto unitholders.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

1. Summary Of Significant Accounting Policies (continued)

g) Goods And Services Tax ("GST")

The GST incurred on the costs of various services provided to the Fund by third parties, such as custodial services and investment management and administration fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits at a rate of 55%-75%. Management and administration fees and other expenses have been recognised in the Statement Of Profit Or Loss And Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement Of Financial Position as a receivable or payable. Cash flows are included in the Statement Of Cash Flows on a gross basis.

h) Financial Assets And Liabilities

The Fund may classify its financial assets in one of the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. Designation is re-evaluated each financial year, but there are restrictions on reclassifying to other categories. Financial liabilities are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost. The classification of financial assets and liabilities depends on the purpose for which the assets are acquired and liabilities incurred.

The Fund's financial assets and liabilities are classified and measured as follows:

Financial Asset/Liability	Classification	Valuation Basis	
Receivables	Loans and receivables	Amortised cost	Refer to Note 1 j)
Investments	Fair value through profit or loss	Fair value	Refer to Note 1 h)
Distributions payable	Financial liability at amortised cost	Amortised cost	Refer to Note 1 e)
Payables	Financial liability at amortised cost	Amortised cost	Refer to Note 1 l)

Fair Value Through Profit Or Loss

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Fund is the transaction price. Transaction costs are expensed immediately in the Statement Of Profit Or Loss And Other Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in the Statement Of Profit Or Loss And Other Comprehensive Income.

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

All equity securities are designated as fair value through profit or loss on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund (as set out in the Fund's Product Disclosure Statement and Constitution).

The fair value of equity securities traded in active markets is based on their quoted market prices at the end of the reporting date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques including recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques commonly used by market participants.

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

i) Cash And Cash Equivalents

Cash comprises cash at bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

1. Summary Of Significant Accounting Policies (continued)

j) Receivables

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Fund unsettled at the end of the reporting period and dividends and trust distributions declared but not yet received. They are recognised and carried at amortised cost using the effective interest rate method, less a provision for uncollectible amounts.

k) Payables

Payables comprise trade creditors and accrued expenses owing by the Fund at reporting date. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables and accruals are recognised at amortised cost at the point where the Fund becomes obliged to make payments in respect of the purchase of these goods and services. Refer to Note 1 e) for distribution payable.

l) Unitholders' Equity

Under the Constitution, the Fund has no obligation to distribute income. The units issued by the Fund are classified as equity as they satisfy the below criteria under AASB 132 *Financial Instruments Presentation*:

- the units entitle unitholders to a pro-rata share of the net assets in the event of the Fund's liquidation;
- all units have the same rights and features;
- the units do not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and
- the total expected cash flows attributable to the units over their life are based substantially on the Fund's net profit/(loss).

Applications received for units in the Fund are recorded net of entry fees. Redemptions from the Fund are recorded gross of exit fees. The Fund recognises units issued or redeemed when settled, which is trade date.

m) Critical Accounting Estimates And Judgements

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at reporting date. Fair values may however move materially with movements in market prices (refer to further detail in Note 10 f)). As the investments are valued with reference to the listed quoted price and the Fund's cash is held with strongly rated financial institutions, the Fund's financial assets are not subject to significant judgement or complexity nor are the Fund's liabilities.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

2. Distributions To Unitholders

	22 Dec 2017 to 30 June 2018
Final distribution payable to unitholders (\$)	3,141
Total Distribution To Unitholders (\$)	3,141
The total distribution consisted of:	
Income (\$)	3,141
Return of capital (\$)	-
Total Distribution (Cents Per Unit)	0.11

The final distribution was paid on 13 July 2018 and classified as a payable in the Statement Of Financial Position at reporting date.

a) Distribution Reinvestment Plan ("DRP")

A DRP operated in the Fund for the period ended 30 June 2018. Unitholders may request their distributions to be applied as subscriptions for additional units in the Fund at the Issue Price (as determined by the Fund's Constitution), determined after the number of units on issue is calculated for the purpose of making the distribution. DRP details are as follows:

	30 June 2018
DRP issue price (\$) (final distribution - units issued 1 July)	2.6017
DRP unitholder participation rate (%)	14.78
Number of units issued under DRP	178
Value of units issued under DRP (\$)	464

3. Cash And Cash Equivalents

	30 June 2018 \$
Cash at bank - denominated in Australian Dollars	714,616
Total Cash And Cash Equivalents	714,616

4. Receivables

	30 June 2018 \$
Dividends receivable	14,786
Applications receivable	13,000
Interest receivable	1,256
Recoverable GST and foreign withholding tax	631
Total Receivables	29,673

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

5. Investments

	30 June 2018 \$
Australian listed equity securities	7,060,406
Total Investments	7,060,406

The equity securities held by the Fund are:

Company Name	30 June 2018 \$
Commonwealth Bank Of Australia	698,822
BHP Billiton	623,130
Wesfarmers	418,474
CSL	402,383
Macquarie Bank	356,854
Suncorp Group	350,773
Reece Australia	335,744
Qantas Airways	320,037
Aristocrat Leisure	277,915
Origin Energy	277,319
James Hardie Industries	261,069
Caltex Australia	244,375
Incitec Pivot	238,204
Cybg	231,691
Link Administration Holdings	230,998
Aurizon Holdings	225,065
Vicinity Centres	219,078
Mineral Resources	212,036
Z Energy	189,616
Bingo Industries	185,102
Bapcor	182,457
Xero	165,592
Aveo Group	149,530
AGL Energy	126,450
Nick Scali	124,041
Metcash	13,651
Total Equity Securities	7,060,406

i) Fair Value Disclosures

An overview of the risk exposures and fair value measurement relating to investments held at fair value through the profit and loss, is included in Note 10 f).

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

6. Payables

	Note	30 June 2018 \$
Due to brokers - payable for securities purchases		626,189
Management fees payable	9 c) i)	4,115
Total payables		630,304

7. Unitholders' Equity

	30 June 2018 Number of units
Units On Issue At Beginning Of Period	-
Units issued during the period	2,756,402
Units On Issue At End Of Period	2,756,402

Terms And Conditions Of Units

Each unit confers upon the unitholder an equal interest in the Fund, and is of equal value to other units in the Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of unitholders are contained in the Fund's Constitution and include:

- the right to redeem units, subject to restrictions disclosed in the Fund's Product Disclosure Statement;
- the right to receive a distribution determined in accordance with the provisions of the Fund's Constitution;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Fund.

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

8. Statement Of Cash Flows Reconciliation

	30 June 2018 \$
a) Reconciliation Of Net Cash Flows From Operating Activities	
Net operating profit	236,390
Adjusted for:	
Net changes in fair value of investments:	
- designated at fair value through profit or loss	(228,926)
Changes in operating receivables and payables	
- Net (increase)/decrease in receivables	(16,673)
- Net increase/(decrease) in payables	4,115
Net Cash Inflows/(Outflows) From Operating Activities	(5,094)
b) Reconciliation Of Cash	
For the purposes of the Statement of Cash Flows, cash comprises:	
Cash and cash equivalents	714,616

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

9. Related Parties

a) Responsible Entity And Investment Manager

The Responsible Entity of the Fund is MAM. MAM is a wholly-owned subsidiary of Magellan Financial Group Limited (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity. MAM has appointed Airlie Funds Management Pty Limited ("Airlie" or "Investment Manager") to provide investment management services to the Fund. Airlie is a wholly-owned subsidiary of the Responsible Entity. MAM and Airlie are related parties of the Fund by way of being subsidiaries of the Magellan Financial Group Limited.

b) Responsible Entity Fees

Compensation is paid to the Responsible Entity in the form of fees as follows:

i) Management And Administration Fees

The Responsible Entity is entitled to receive management fees from the Fund for managing the assets of the Fund and overseeing the operations of the Fund. The management fee is 0.655% per annum of the net asset value of the Fund, calculated daily. The Responsible Entity also charges an administration fee of 0.10% per annum from which the operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs are paid. The actual management and administration fees charged by the Responsible Entity may vary from the above rates due to the impact of GST (refer Note 1 g) for further detail). Management and administration fees are payable at the end of the month.

Management and administration fees paid/payable by the Fund during the period are net of any applicable reduced input tax credits (refer to Note 1 g) for further detail). The management and administration fees paid/payable by the Fund during the period are set out below:

	% pa	22 Dec 2017 to 30 June 2018 \$
Management fee	0.655	3,333
Administration fee	0.100	509
Total Fees Expensed In The Statement Of Profit Or Loss And Other Comprehensive Income	0.755	3,842
Total Fees Payable In The Statement Of Financial Position		4,115

10. Capital And Financial Risk Management

a) Financial Risk Management

The Fund's investment portfolio primarily comprises listed equity investments. The Fund's primary investment objective is to provide long-term capital growth and regular income (as detailed in the Product Disclosure Statement). The Fund's investing activities expose it to various types of risks including concentration risk, market risk, liquidity risk and credit risk.

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

The following disclosures in relation to the various risks of the Fund's portfolio have been based on the Fund's direct holdings.

b) Concentration Risk

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry. The Fund holds a concentrated portfolio of investments, and the returns of the Fund may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Fund's unit price, and also increases the risk of poor performance.

The Fund's concentration risk is managed in accordance with the portfolio risk controls for the Fund.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

10. Capital And Financial Risk Management (continued)

c) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices and interest rates.

i) Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The size and diversification of the portfolio is sufficient to ensure the Fund's returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolio are not expected to be perfectly correlated to any market or sector index.

An increase of 5% in the market prices in each of the Fund's investments held at reporting date, assuming all other variables remain constant would have increased unitholders' equity and net operating profit by \$353,020. A decrease of 5% in the market price of each of the Fund's investments would have had an equal but opposite effect.

ii) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Fund's exposure to interest rate risk relates to cash balances.

The primary exposure to interest rates arises on cash balances held by the Fund, which are all held in floating interest rate accounts. Based on the Australian dollar cash balances held by the Fund at reporting date, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would have increased the Fund's net operating profit and unitholders' equity by \$715. A decrease of 10 basis points in floating interest rates would have an equal but opposite effect.

The level of cash held by the Fund may vary from time to time, depending on the level of recent capital flows into and out of the Fund, and on the Investment Manager's judgement. The cash balances held by the Fund as at reporting date may therefore not be typical of the amounts of cash generally held by the Fund.

The Fund did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

d) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities on the due date or will be forced to sell financial assets at a value which is less than they are worth.

This risk is managed by the Fund maintaining sufficient cash and cash equivalents to meet its normal operating requirements and primarily hold investments that are traded in an active market and can be readily disposed.

At reporting date, the Fund had an obligation to settle payables (including distribution payable) of \$633,445 within 30 days. The Fund has cash and receivables totalling \$744,289 to cover these liabilities.

e) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities when valued at fair value.

The Fund minimises concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by counterparties that are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency. In addition, the credit rating and financial positions of the brokers used, by the Fund, are regularly monitored to further mitigate this risk. Credit risk relating to outstanding settlements is considered small due to the short settlement periods involved.

The Responsible Entity has appointed the Northern Trust Company ("NT") as the Fund's custodian. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides and class orders relating to registered managed investment schemes property arrangements with custodians. The credit quality of NT's senior debt is rated, as at reporting date, by Standard and Poor's as A+ and by Moody's as A2.

At reporting date the Fund's maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statement Of Financial Position.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

10. Capital And Financial Risk Management (continued)

e) Credit Risk (continued)

i) Ageing Analysis Of Receivables

At reporting date, the Fund's receivables, excluding recoverable GST, were due within 0 to 30 days (refer Note 4). Recoverable GST is due within 30 to 90 days. No amounts are impaired or past due at reporting date.

f) Fair Value Disclosures

The Fund classifies the fair value measurements of financial assets and financial liabilities using the three level fair value hierarchy set out below to reflect the source of valuation inputs used when determining the fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing bid price for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices).
- Level 3: valuation techniques using non-market observable inputs.

The following table presents the fair value measurement hierarchy of the Fund's financial assets and liabilities:

	30 June 2018 \$
Financial Assets Measured At Fair Value	
Level 1: Investments - valued using quoted prices ^(A)	7,060,406
Total Financial Assets Measured At Fair Value	<u>7,060,406</u>

(A) All Australian equity securities held by the Fund are Level 1 assets.

The Fund does not hold any level 2 or level 3 assets.

There have been no transfers between any of the three levels in the hierarchy during the period and the Fund's policies are to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.

11. Auditor's Remuneration

During the period, the following amounts were paid or payable by the Responsible Entity on behalf of the Fund:

	30 June 2018 \$
Audit services	
Audit and review of financial reports	11,100
Other assurance services	500
Non-Audit services	
Taxation	6,600
Total Auditor's Remuneration of Ernst & Young Australia	<u>18,200</u>

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the period 22 December 2017 to 30 June 2018

12. Contingent Assets, Contingent Liabilities And Commitments

The Fund has no contingent assets, contingent liabilities or commitments at reporting date.

13. Events Subsequent To The End Of The Period

The Directors of the Responsible Entity are not aware of any other matters or circumstances not otherwise dealt with in the financial report that have significantly affected, or may significantly affect, the Fund's operations, the results of those operations, or the Fund's state of affairs in future years.

AIRLIE AUSTRALIAN SHARE FUND

Directors' Declaration

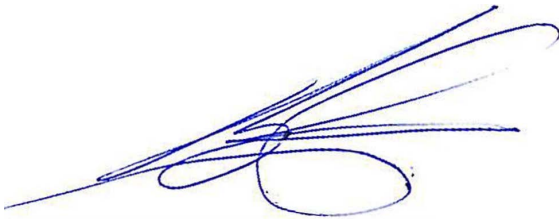
for the period 22 December 2017 to 30 June 2018

In the opinion of the Directors,

- a) the financial statements and notes of Airlie Australian Share Fund as set out on pages 8 to 22 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the financial position of the Fund as at 30 June 2018 and of its performance as represented by the results of its operations and cash flows for the period ended on that date; and
 - ii) complying Australian Accounting Standards, the *Corporations Regulations 2001*, International Financial Reporting Standards as disclosed in Note 1 and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period 22 December 2017 to 30 June 2018.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



Brett Cairns Executive
Chairman

Sydney, 3 September 2018

Independent auditor's report to the members of Airlie Australian Share Fund

Opinion

We have audited the accompanying financial report of Airlie Australian Share Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the 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 2018 and of its financial performance for the period 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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report

The directors of the responsible entity of the Fund are responsible for the other information. The other information is the Responsible Entity's Report accompanying the financial report.

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.

Responsibilities of the Directors for the Financial Report

The directors of the responsible entity 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the 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 Fund'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund 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 represents the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive style.

Rita Da Silva
Partner
Sydney
3 September 2018

AIRLIE AUSTRALIAN SHARE FUND

Corporate Information

Directors Of The Responsible Entity

Brett Cairns (Chairman)
Hamish Douglass
John Eales
Robert Fraser
Paul Lewis
Hamish McLennan
Karen Phin

Company Secretary Of The Responsible Entity

Geoffrey Stirton

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