

# Antares Income Fund

ARSN 165 643 756

## Financial Report

For the year ended 30 June 2020



**Antares Income Fund**  
**(ARSN 165 643 756)**  
**Financial Report**  
**For the year ended 30 June 2020**

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## **Directors' Report**

The Directors of Antares Capital Partners Limited, the Responsible Entity of Antares Income Fund, present their report together with the financial report of the Scheme for the year ended 30 June 2020 and the independent audit report thereon.

### **Directors of the Responsible Entity**

The names of the persons who were Directors of Antares Capital Partners Limited during or since the year ended 30 June 2020 are as follows:

<b>Name</b>	<b>Appointment/Resignation Date</b>
J G Duffield	Appointed 7 July 2014
P Gupta	Appointed 7 July 2014
C M Keating	Resigned 31 March 2020
G J Mulcahy	Appointed 7 July 2014
K A Watt	Appointed 5 December 2016

The registered office of Antares Capital Partners Limited is located at Ground Floor, MLC Building, 105-153 Miller St, North Sydney NSW 2060.

### **Principal activities**

The Scheme is an unlisted registered managed investment scheme domiciled in Australia.

The Scheme invests and transacts in money market securities, fixed income securities, unlisted managed investment schemes and derivatives in accordance with the provisions of the Constitution of the Scheme.

The Scheme did not have any employees during the current and previous year.

There have been no significant changes to the activities of the Scheme during the year.

The Scheme is a for profit entity for the purposes of preparing financial statements.

### **Results and review of operations**

The results of the operations of the Scheme is disclosed in the Statement of Profit or Loss and Other Comprehensive Income. The result is affected by the performance of the markets to which the Scheme has exposure.

For details in relation to the Scheme's investment exposure and strategy, information can be obtained from the Product Disclosure Statement.

### **Distributions**

The distributions for the year ended 30 June 2020 were as follows:

	<b>\$'000</b>	<b>cents per unit</b>
Antares Income Fund	<b>2,469</b>	<b>1.91</b>

### **Units on issue**

Units on issue as at year end and movements during the year are shown in Statement of Changes in Unitholders Funds.

The total assets of the Scheme are set out in the Statement of Financial Position. The basis for valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

### **State of affairs**

The Responsible Entity's ultimate parent entity National Australia Bank Limited ("NAB") announced on 31 August 2020 the agreement for IOOF to acquire MLC from NAB. The transaction is subject to certain conditions and regulatory approvals; with the ultimate parent entity expected to change when the acquisition is complete. In the opinion of the Directors this transaction does not impact on the Responsible Entity's ability to provide its fiduciary duties.

During the months of March and April 2020 there was a challenging environment with significant market volatility as well as impacts to what was previously considered normal working domain. The pandemic situation continues to evolve with government, business and community responses changing accordingly. MLC is taking sensible actions to ensure it remains fully operational and available to our clients at the same time constantly assessing operational resilience of critical outsourced providers, including but not limited to Investment Managers, Custodians and Administrators and the services they provide. This includes ensuring that the value of certain assets and liabilities recorded in the Statement of Financial Position determined by reference to fair or market values.

In the opinion of the Responsible Entity, there were no other significant changes in the state of affairs of the Scheme that occurred during the year unless otherwise disclosed.

### **Likely developments**

The Scheme will continue to pursue its policy of competitive returns through a selection process that identifies investment managers in each asset class. Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

### **Auditor's independence**

The Directors received a declaration of independence which was issued in accordance with section 307C of the *Corporations Act 2001* from the auditor of the Scheme, a copy of which is attached to the Directors' report on page 4.

### **Events subsequent to the balance date**

Between the year end and the date of this report, there has not been any other item, transaction or event of a material and unusual nature that, in the opinion of the Responsible Entity, is likely to significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

**Interests of the Responsible Entity**

Units held by Antares Capital Partners Limited and its related parties in the Scheme during the financial year ended 30 June 2020 are detailed in Note 8(h) and Note 8(i) to the financial statements.

Fees paid to the Responsible Entity during the financial year ended 30 June 2020 are detailed in Note 8(e) to the financial statements.

**Environmental regulation**

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

**Indemnities and insurance premiums for Officers or Auditors**

*Indemnification*

The Scheme has not indemnified or made a relevant agreement for indemnifying against a liability for any person who is or has been an officer of the Responsible Entity or an auditor of the Scheme during the year.

*Insurance premiums*


During the year, the ultimate parent company of the Responsible Entity, National Australia Bank Limited, has paid, or agreed to pay, premiums in respect of its officers for liability, legal expenses, insurance contracts, and premiums in respect of such insurance contracts, for the financial year ended 30 June 2020. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

**Rounding**

The Scheme meets the criteria set out in *Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission, and in accordance with that Corporations Instrument, amounts in the financial report and the Directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors of Antares Capital Partners Limited:

Director: \_\_\_\_\_  
  
Signature: \_\_\_\_\_  
Garry Mulcahy

Dated at Sydney this 11th day of September 2020



**Building a better  
working world**

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## **Auditor's Independence Declaration to the Directors of Antares Capital Partners Limited, as Responsible Entity for Antares Income Fund**

As lead auditor for the audit of the financial report of Antares Income Fund for the financial year ended 30 June 2020, 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

Darren Handley-Greaves  
Partner  
11 September 2020

**Antares Income Fund**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2020**

	Notes	2020 \$'000	2019 \$'000
<b>Investment income</b>			
Dividend and distribution income	2, 8(h)	1,204	3,357
Interest income		1,208	1,479
Changes in the fair value of financial assets and liabilities at fair value through profit or loss		(637)	1,089
<b>Total investment income/(loss)</b>		<u>1,775</u>	<u>5,925</u>
<b>Expenses</b>			
Responsible Entity's fees	8(e)	630	862
Other expenses		7	10
<b>Total operating expenses</b>		<u>637</u>	<u>872</u>
<b>Net profit/(loss)</b>		<u>1,138</u>	<u>5,053</u>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<u>1,138</u>	<u>5,053</u>

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

**Antares Income Fund**  
**Statement of Financial Position**  
**As at 30 June 2020**

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	Notes	2020 \$'000	2019 \$'000
<b>Assets</b>			
Cash and cash equivalents	10(b)	3,339	4,834
Receivables	6	257	456
Financial assets at fair value through profit or loss	5, 9(c)	<u>124,680</u>	<u>172,067</u>
<b>Total assets</b>		<u><b>128,276</b></u>	<u>177,357</u>
<b>Liabilities</b>			
Payables	7	39	53
Financial liabilities at fair value through profit or loss	9(c)	403	519
Distribution payable	4	<u>1,407</u>	<u>1,087</u>
<b>Total liabilities</b>		<u><b>1,849</b></u>	<u>1,659</u>
<b>Unitholders funds</b>		<u><b>126,427</b></u>	<u>175,698</u>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.



**Antares Income Fund**  
**Statement of Changes in Unitholders Funds**  
**For the year ended 30 June 2020**

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	\$'000	No. of units '000
<b>Unitholders funds at 30 June 2018</b>	212,549	209,673
Net profit/(loss)	5,053	-
Applications	25,873	25,410
Redemptions	(63,738)	(62,488)
Distributions paid/payable for the year	(4,039)	-
<b>Unitholders funds at 30 June 2019</b>	<u>175,698</u>	<u>172,595</u>
<b>Unitholders funds at 30 June 2019</b>	<b>175,698</b>	<b>172,595</b>
Net profit/(loss)	1,138	-
Applications	12,214	11,960
Redemptions	(60,154)	(58,947)
Distributions paid/payable for the year	(2,469)	-
<b>Unitholders funds at 30 June 2020</b>	<u>126,427</u>	<u>125,608</u>

The above Statement of Changes in Unitholders Funds is to be read in conjunction with the accompanying notes.

**Antares Income Fund**  
**Statement of Cash Flows**  
**For the year ended 30 June 2020**

	Notes	<b>2020</b> <b>\$'000</b>	2019 \$'000
<b>Cash flows from operating activities</b>			
Dividend and distribution income received		-	-
Interest received		<b>1,258</b>	1,404
Responsible Entity's fees paid		<b>(643)</b>	(866)
Other expenses paid		<b>(8)</b>	(9)
<b>Net cash provided by/(used in) operating activities</b>	10(a)	<b><u>607</u></b>	<u>529</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		<b>79,610</b>	73,797
Purchases of investments		<b>(31,617)</b>	(35,407)
<b>Net cash provided by/(used in) investing activities</b>		<b><u>47,993</u></b>	<u>38,390</u>
<b>Cash flows from financing activities</b>			
Applications received		<b>11,456</b>	24,410
Redemptions paid		<b>(60,154)</b>	(63,738)
Distributions paid		<b>(1,391)</b>	(3,753)
<b>Net cash provided by/(used in) financing activities</b>		<b><u>(50,089)</u></b>	<u>(43,081)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,489)</b>	(4,162)
Cash and cash equivalents at the beginning of the financial year		<b>4,834</b>	9,003
Effects of exchange rate changes on cash		<b>(6)</b>	(7)
<b>Cash and cash equivalents at end of the financial year</b>	10(b)	<b><u>3,339</u></b>	<u>4,834</u>

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

## **NOTE 1 - 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.

The financial report of the Scheme for the financial year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 11 September 2020.

### **(a) Statement of compliance**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board ('AASB') and International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board ('IASB').

### **(b) Basis of preparation**

The Scheme's year end financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The assets and liabilities are measured on a fair value basis, except where otherwise stated.

The Statement of Financial Position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are designated as current assets and liabilities as they are expected to be recovered or settled within twelve months. Financial assets and liabilities at fair value through profit or loss and unitholders funds are expected to be settled upon contractual requirements.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. The financial statements are presented in Australian Dollars, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

### **(c) Basis of consolidation**

The Scheme is an investment entity under the definition in AASB 10 *Consolidated Financial Statements*, and, as such, does not consolidate any entities subject to its control. The Scheme does not hold a controlling interest in any of its underlying investments and therefore is not required to provide additional disclosures.

### **(d) Unit price**

The unit price for the units of the Scheme is calculated as at the close of each business day.

### **(e) Terms and conditions on units**

Each unit issued confers upon the unitholders of the Scheme an equal interest in the Scheme, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the *Corporations Act 2001*, including the right to:

- (i) have their units redeemed;
- (ii) accumulate income, which is reflected in the unit price;
- (iii) attend and vote at meetings of unitholders; and
- (iv) participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to any unit of the Scheme are identical in all respects.

### **(f) Financial assets and liabilities at fair value through profit or loss**

The Scheme has classified all of its investments as at fair value through profit or loss including derivatives which are held for risk management purposes.

Investments are valued at their fair value as at reporting date. Gains and losses arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss are included in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value with movements taken to the Statement of Profit or Loss and Other Comprehensive Income. Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flow models and options pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

#### **(i) Futures contracts**

Futures contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established on an organised market. Futures contracts are collateralised by cash and cash equivalents or by other assets ("initial margin"). Subsequent payments, known as "variation margin", are made or received by the Scheme each day, depending on the daily fluctuations in the fair value of the underlying security. The futures contracts are marked to market daily.

#### **(ii) Interest Rate Swaps**

The calculation of the fair value involves discounting interest rate payments and receipts associated with the two sides of the swap by the interest rates applicable to the portfolio.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Fair value measurement**

Assets and liabilities measured at fair value in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety as detailed below:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**(h) Significant accounting judgements, estimates or assumptions**

The Scheme may make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements.

*Estimates and assumptions*

Estimates are continually evaluated and based on historical experience, available information and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Fair value of financial assets and liabilities at fair value through profit or loss*

Fair value is the price that would be received from disposing an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Scheme measures investments in financial assets and liabilities at fair value through profit or loss. Management applies judgement in selecting valuation techniques where there is no market price available for an instrument. Further details on the determination of fair values of financial instruments are set out in Note 9(g).

The Scheme has assessed the impact of credit/debit value adjustments to its derivative positions to comply with the requirements of AASB 13 *Fair Value Measurement*, and concluded that there are no significant adjustments to the valuation of derivatives.

*Judgements*

(i) The Scheme meets the definition criteria of an investment entity under AASB 10 *Consolidated Financial Statements*, and therefore is required to measure its interests in controlled entities at fair value through profit or loss. The criteria which define an investment entity are as follows:

(a) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;

(b) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

(c) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

(ii) The Scheme has assessed whether its investments in unlisted registered managed investment schemes should be classified as structured entities. A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The Scheme has considered the voting rights and other similar rights and concluded on whether these rights are the dominant factor in determining control. The Scheme has concluded that its investments in unlisted registered managed investment schemes meets the definition of structured entities as the voting rights of these unlisted registered managed investment schemes are not substantive in nature as set out in Note 8(g).

(iii) The investments in the Scheme have been and will continue to be monitored for appropriateness of valuation due to impacts of market volatility including the recent impact due to COVID – 19. Accordingly, no adjustments have been made to the financial statements for market volatility including impacts due to COVID-19.

**(i) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, demand deposits, short term deposits at call and highly liquid investments, including investments in an unlisted cash trust, that are readily convertible at the Responsible Entity's option to known amounts of cash and which are subject to an insignificant risk of changes in value, such as units held in a cash trust.

**(j) Receivables**

Receivables may include amounts for dividends, interest, distributions, outstanding settlements and other income and are measured initially at fair value plus transaction costs. The impact of expected credit losses on financial assets measured at amortised cost is insignificant. Amounts are generally received within 30 days of being recorded as a receivable.

**(k) Payables**

Payables include outstanding settlements and accrued expenses owing by the Scheme which are unpaid as at balance date. They are measured initially at fair value plus transaction costs.

**(l) Foreign currency transactions**

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and monetary items held, together with any accrued income, are translated at the exchange rate prevailing at the year end.

Foreign currency transaction gains and losses on financial instruments at fair value through profit or loss are included in the Statement of Profit or Loss and Other Comprehensive Income as part of the 'Changes in the fair value of financial assets and liabilities at fair value through profit or loss'.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Income and expenses**

Revenue is brought to account on an accrual basis except where otherwise stated.

Dividend and distribution income from listed securities and unlisted registered managed investment schemes is recognised on the date the shares or trust units are quoted ex dividend/distribution. Income on fixed interest securities and money market securities is recognised on an ex interest accrual basis.

Interest income on discount securities is brought to account on an effective interest rate basis and is derived from interest earned and amortised premium or discount to face value on investments.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or initial fair value (if the investment was acquired during the year).

Expenses are brought to account on an accrual basis.

The Responsible Entity is entitled to receive a fee, calculated in accordance with the Scheme's Constitution, for the provision of management services to the Scheme. The Responsible Entity is entitled to be reimbursed, under the Scheme's Constitution, for certain expenses incurred in administering the Scheme. The amount reimbursed has been calculated in accordance with the Scheme's Constitution.

Other expenses also include government duties and bank interest expense. Auditor's remuneration has not been charged against the Scheme's income as this cost is borne by the Responsible Entity.

**(n) Taxation**

The Scheme has elected to have the new taxation regime (AMIT) for the taxation of managed investment scheme apply for the 2018 tax year and later years of income. The Scheme is not subject to income tax as the taxable income (including assessable realised net capital gains) is fully attributed to the unitholders each year. Unitholders are taxed on the income attributed to them.

The unit price is based upon fair values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed.

Net realised capital losses are not distributed to unitholders, but are retained to be offset against any future realised capital gains. Where realised assessable capital gains exceed realised capital losses, the excess will be distributed and attributed to unitholders as assessable income for taxation purposes.

**(o) Distributions to unitholders**

The income of the Scheme is accumulated and reinvested or paid to unitholders on the last day of September, December, March and June.

Distributable income does not include unrealised gains and losses arising on movements in the fair value of investments; as such, unrealised gains and losses are transferred to unitholders funds and are not attributed to unitholders as assessable income or distributed until realised.

The Scheme's distributions are expressed as cents per unit for the distribution period.

**(p) Goods and services tax**

Responsible Entity fees and other expenses are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office ('ATO') as a reduced input tax credit ('RITC').

Creditors and accruals are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in payables in the Statement of Financial Position.

**(q) Derecognition of financial instruments**

The derecognition of financial instruments takes place when the Scheme no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

**(r) Capital management**

The amount of unitholders funds can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Scheme.

In order to maintain or adjust the capital structure, the Responsible Entity may return capital to unitholders. The Scheme does not have any externally imposed capital requirements.

**(s) Unitholders funds**

The units can be put back to the Scheme at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the financial year, if unitholders exercised their right to put the units back to the Scheme.

The Scheme is single-class only and its units have been classified as equity.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) Application of accounting standards**

*New and amended standards and interpretations*

Several standards and amendments, including AASB 16 Leases and AASB Interpretations 23 Uncertain Tax Position apply to the Scheme for the first time in 2020, however do not have an impact on the financial statements of the Scheme. The Scheme has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**NOTE 2 - DIVIDEND AND DISTRIBUTION INCOME**

The scheme receives distribution income from its related party underlying investments in unlisted managed investment schemes, which is detailed in Note 8 (h).

	2020 \$'000	2019 \$'000
<b>Dividend/Scheme distribution income:</b>		
Unlisted managed investment schemes	<u>1,204</u>	<u>3,357</u>
	<b>1,204</b>	<b>3,357</b>

**NOTE 3 - AUDITOR'S REMUNERATION**

	2020 \$	2019 \$
<b>Auditor of the Scheme:</b>		
Ernst & Young audit and review of financial reports	<b>7,000</b>	7,000
Other assurance engagements	<u>3,724</u>	<u>3,724</u>
	<b>10,724</b>	<b>10,724</b>

Audit fees for the Scheme have been paid by the Responsible Entity.

**NOTE 4 - DISTRIBUTIONS**

Income paid out of the Scheme in prior years were disclosed in the Statement of Profit or Loss and Other Comprehensive Income as distributions; whilst current and subsequent years income paid out is classified as distributions in the Statement of Changes in Unitholders Funds as stated below:

	\$'000	cents per unit
<b>2020</b>		
September	-	-
December	734	0.54
March	328	0.25
June (payable)	<u>1,407</u>	<u>1.12</u>
	<b>2,469</b>	<b>1.91</b>
<b>2019</b>		
September	844	0.41
December	1,230	0.61
March	878	0.45
June (payable)	<u>1,087</u>	<u>0.63</u>
	<b>4,039</b>	<b>2.10</b>

**NOTE 5 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2020 \$'000	2019 \$'000
<b>Money market securities</b>		
Money market securities	53,366	49,252
<b>Unlisted related party managed investment schemes</b>		
Units held in unlisted related managed investment schemes	71,172	122,532
<b>Financial Instruments</b>		
Financial Instruments - Derivatives	142	283
<b>Total financial assets at fair value through profit or loss</b>	<b>124,680</b>	<b>172,067</b>

Units held in unlisted related managed investment schemes are detailed in Note 8(h).

**NOTE 6 - RECEIVABLES**

	2020 \$'000	2019 \$'000
Distribution receivables	62	211
Other receivables	195	245
	<b>257</b>	<b>456</b>

**NOTE 7 - PAYABLES**

	2020 \$'000	2019 \$'000
Amounts owing to Responsible Entity	38	51
Other payables	1	2
	<b>39</b>	<b>53</b>

**NOTE 8 - RELATED PARTIES**

**(a) Responsible Entity**

The Responsible Entity of the Scheme is Antares Capital Partners Limited ABN 85 066 081 114, whose immediate holding company is MLC Wealth Limited (formerly known as National Wealth Management Services Limited) ABN 97 071 514 264 and the ultimate parent company is National Australia Bank Limited ABN 12 004 044 937.

The Responsible Entity is incorporated and domiciled in Australia.

**(b) Key management personnel**

**Directors**

The names of the persons who were Directors of Antares Capital Partners Limited at any time during the financial year were as follows:

Name	Appointment / Resignation Date
J G Duffield	Appointed 7 July 2014
P Gupta	Appointed 7 July 2014
C M Keating	Resigned 31 March 2020
G J Mulcahy	Appointed 7 July 2014
K A Watt	Appointed 5 December 2016

In addition to the Directors noted above, the Responsible Entity provides key management personnel services to the Scheme.

Key management personnel are paid by a related party of the Responsible Entity. Payments made from the Scheme to the Responsible Entity do not include any amounts directly attributable to key management personnel remuneration.

**(c) Other related party transactions with the Scheme**

From time to time the Directors of Antares Capital Partners Limited, or their related entities, may invest into or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

## NOTE 8 - RELATED PARTIES (CONTINUED)

### (d) Amounts payable to/(receivable from) the Responsible Entity

The net amount of payables to Antares Capital Partners Limited by the Scheme at balance date are shown in the table below:

	2020	2019
	\$	\$
Antares Income Fund	38,085	50,913

### (e) Responsible Entity's fees

The Responsible Entity's fees have been calculated in accordance with the Scheme's Constitution. Total fees paid and payable (net of rebates where applicable) are as follows:

	2020	2019
	\$	\$
Antares Income Fund	629,600	862,010

### (f) Expense reimbursement

The Responsible Entity is entitled, under the Scheme's Constitution, to be reimbursed for certain expenses incurred in administering the Scheme. The basis on which the expenses are reimbursable is defined in the Constitution. There were no expense reimbursements during the year (2019: Nil).

### (g) Interests in unconsolidated structured entities

The Scheme's maximum exposure to loss from its investments in unlisted managed investment schemes, which have been assessed to be structured entities, is restricted to their fair value which are disclosed in Note 8(h). The Scheme has not sponsored or provided support, financial or otherwise to the unlisted managed investment schemes they hold.

### (h) Related party investments

The Scheme may purchase and sell units in other unlisted managed investment schemes managed by Antares Capital Partners Limited or its related parties in the ordinary course of business at application and redemption prices calculated in accordance with the Constitution.

The Scheme did not hold any shares in National Australia Bank Limited. It did hold units in unlisted managed investment schemes operated by the Responsible Entity or its related parties, as set out below. Cash and cash equivalents in the Statement of Financial Position for the Scheme are held with the National Australia Bank Limited. NAB Asset Servicing is the custodian for the directly held investments of the Scheme.

The principal activities of the below named Schemes are to invest and transact in money market securities, fixed income securities, unlisted managed investment schemes and derivatives in accordance with the provisions of the Scheme's Constitution. Investment activities may include the use of hedging instruments to reduce the volatility of investment returns.

The Scheme is an unlisted registered managed investment scheme and along with its related parties are domiciled in Australia.

Antares Capital Partners Limited and its related parties	Number of units held	Interest held in the Scheme	Fair value of investment	Distributions/ Dividends received/ receivable
		%	\$	\$
<b>2020</b>				
Antares Enhanced Cash Trust	25,654,942	0.41	26,268,865	344,285
WM Pool - Fixed Interest Trust No. 17	435,387	6.47	44,903,435	860,022
	<u>26,090,329</u>		<u>71,172,300</u>	<u>1,204,307</u>
<b>2019</b>				
Antares Enhanced Cash Trust	37,643,393	0.50	38,546,270	928,098
WM Pool - Fixed Interest Trust No. 17	811,807	7.30	83,985,471	2,428,781
	<u>38,455,200</u>		<u>122,531,741</u>	<u>3,356,879</u>



## NOTE 8 - RELATED PARTIES (CONTINUED)

### (i) Unitholder investing activities

Details of holdings in the Scheme by Antares Capital Partners Limited and its related parties or other Schemes managed by Antares Capital Partners Limited and its related parties are set out below:

Antares Capital Partners Limited and its related parties	Number of units held	Interest held in the Scheme	Fair value of investment	Distributions paid/payable
		%	\$	\$
<b>2020</b>				
MLC Investments Limited	115	-	116	2
MLC Navigator Investment Plan	66,887,769	53.25	67,322,804	1,344,710
MLC Super Fund	53,156,019	42.32	53,501,743	1,012,737
<b>2019</b>				
MLC Investments Limited	114	-	116	2
MLC Navigator Investment Plan	92,864,598	53.80	94,532,985	2,509,703
MLC Super Fund	52,421,742	30.37	53,363,541	1,147,376

## NOTE 9 - FINANCIAL RISK MANAGEMENT

### (a) Financial risk management objectives, policies and processes

The Scheme's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk, equity price risk), liquidity and cash flow risk. The Scheme's overall risk management programme is aligned to the investment strategy of the Scheme as detailed in its Constitution and Product Disclosure Statement. It focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance. The Responsible Entity monitors the risk management framework, which is performed internally and reported on a quarterly basis. The Scheme may use derivative financial instruments to moderate certain risk exposures.

### (b) Credit risk

The Scheme takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Scheme restricts its exposure to credit losses on trading derivative instruments by entering into master netting arrangements with counterparties (approved brokers). The credit risk associated with contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, there is the opportunity to settle outstandings on a net basis.

The Scheme minimises its exposure to credit risk on cash equivalents by only holding instruments with top-tier financial institutions.

The carrying amounts of financial assets best represent the maximum credit risk exposures at the year end date. The tables below show the credit quality by class of asset for debt instruments.

### 2020

	AAA to AA- \$'000	A+ to A- \$'000	BBB + to BBB - \$'000	Total \$'000
Fixed Interest Securities	14,662	13,039	25,665	53,366
Total	14,662	13,039	25,665	53,366

### 2019

	AAA to AA- \$'000	A+ to A- \$'000	BBB + to BBB - \$'000	Total \$'000
Fixed Interest Securities	17,533	12,585	19,134	49,252
Total	17,533	12,585	19,134	49,252

**NOTE 9 - FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Financial assets and liabilities at fair value through profit and loss**

Financial assets and financial liabilities for the Antares Income Fund are presented on a gross basis in the Statement of Financial Position as there is not an enforceable legal right to offset the recognised amounts. In the normal course of business, the Scheme also enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as default on contracts.

**Offsetting financial assets and liabilities**

	2020			2019		
	Amounts not offset		Net amount	Amounts not offset		Net amount
	Other financial instrument	Cash collateral		Other financial instrument	Cash collateral	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
Interest rate swaps	141	-	141	254	-	254
Futures contracts	1	-	1	29	-	29
Options	-	-	-	-	-	-
Closing balance	142	-	142	283	-	283
<b>Financial liabilities</b>						
Interest rate swaps	(333)	390	57	(411)	390	(21)
Futures contracts	(70)	-	(70)	(108)	-	(108)
Options	-	-	-	-	-	-
Closing balance	(403)	390	(13)	(519)	390	(129)

**(d) Market risks**

*(i) Currency risk*

Currency risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate due to changes in foreign exchange rates. There was no significant foreign exchange risk in the Scheme as at 30 June 2020 (2019: Nil)

*(ii) Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Scheme's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Scheme is exposed to varying levels of interest rate risk as a result of differences in its investment strategies. The risk focused investment process actively assesses the level of interest rate risk and seeks to manage the interest rate exposure accordingly.

The changes in interest rates as disclosed in this note are based on assumed fluctuations in interest rates on floating rate financial assets. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

The following table demonstrate the sensitivity of the Scheme's financial assets at fair value through profit or loss contained in the Statement of Financial Position to a reasonably possible change in interest rates on discount securities.

	2020				2019			
	Change in interest rate (basis points)		Effect on Statement of Profit or Loss and Other Comprehensive Income \$'000		Change in interest rate (basis points)		Effect on Statement of Profit or Loss and Other Comprehensive Income \$'000	
<b>Currency</b>								
AUD	100	(100)	(1,035)	1,043	100	(100)	(804)	813

**NOTE 9 - FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risks (continued)**

*(iii) Equity and other price risk*

Equity and other price risk is the risk that the fair value of equities and unit prices decrease 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.

To mitigate the impact of equity and other price risk, the investment process ensures there is diversification of equity exposures within the Scheme.

Changes in price as disclosed in this note set out below are illustrative only and are based on simplified scenarios. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

The effect on the Statement of Profit or Loss and Other Comprehensive Income due to reasonably possible changes in market factors, as represented by the equity indices, with all other variables held constant are indicated in the following table:

Category	2020				2019			
	Change in price		Effect on Statement of Profit or Loss and Other Comprehensive Income \$'000		Change in price		Effect on Statement of Profit or Loss and Other Comprehensive Income \$'000	
Fixed interest funds	10%	(10%)	12,454	(12,454)	10%	(10%)	17,178	(17,178)
Total			12,454	(12,454)			17,178	(17,178)

**(e) Liquidity and cash flow risk**

The Scheme is exposed to daily cash redemptions of redeemable units. Therefore, it invests the majority of its assets either in unlisted schemes with daily redemptions, or in investments that are readily disposed of in an active market, which under normal market conditions are readily convertible to cash.

Unitholders funds are repayable on demand, subject to redemption freeze provisions. In addition, the Scheme's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

In accordance with the Scheme's policies, the Scheme's liquidity position is monitored on a daily basis, and the Responsible Entity reviews this on a quarterly basis.

The Scheme's liabilities are expected to be settled within less than one month, except for amounts owing to the Responsible Entity which are expected to be settled within one to three months.

**(f) Derivatives**

The Scheme's derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at 30 June 2020, the overall direct market exposures were as follows:

	2020		2019	
	Contract amount \$'000	Fair value \$'000	Contract amount \$'000	Fair value \$'000
Derivative instruments:				
- Futures contracts	(20,283)	(69)	(3,194)	(79)
- Interest rate swaps	(349)	(192)	(506)	(157)
	<u>(20,632)</u>	<u>(261)</u>	<u>(3,700)</u>	<u>(236)</u>

**(g) Fair value of financial instruments**

The Scheme's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table details how the fair values of these financial assets and liabilities are determined in particular, other than Level 1, the use of observable and unobservable inputs are applied.

Financial assets / (liabilities)	Fair Value Hierarchy	Valuation Techniques
Interest bearing securities	2	Valued by sourcing appropriate yield curves based on credit rating, security type and term to maturity.
Unlisted related party managed investment schemes	2	Valued at redemption price as established by the Responsible Entity of the underlying trust.
Interest rate swaps	2	Valued from independent valuations based on discounting interest rate payments and receipts associated with the two sides of the swap.

**NOTE 9 - FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(g) Fair value of financial instruments (continued)**

Financial Instruments	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing securities	-	53,366	-	-	49,252	-
Unlisted managed investment funds	-	71,172	-	-	122,532	-
Futures contracts	(69)	-	-	(79)	-	-
Interest rate swaps	-	(192)	-	-	(157)	-
Total	(69)	124,346	-	(79)	171,627	-

There have been no movements into or out of Level 2 and Level 3 for the year ended 30 June 2020 & 30 June 2019.

**NOTE 10 - NOTES TO THE STATEMENT OF CASH FLOWS**

	2020 \$'000	2019 \$'000
<b>(a) Reconciliation of operating profit to net cash flows from operating activities</b>		
Net operating profit/(loss)	1,138	5,053
Income reinvested	(1,353)	(3,652)
Changes in the fair value of investments	637	(1,089)
Changes in assets and liabilities during the financial year:		
(Increase)/decrease in distribution receivables	149	295
(Increase)/decrease in other receivables	50	(74)
Increase/(decrease) in other payables	(14)	(4)
<b>Net cash provided by/(used in) operating activities</b>	<b>607</b>	<b>529</b>
<b>(b) Cash and cash equivalents</b>		
For the purposes of the Statement of Cash Flows, cash comprises cash at bank and short term deposits at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank	236	1,029
Cash on deposit - domestic	3,027	3,635
Cash on deposit - overseas	76	170
	<b>3,339</b>	<b>4,834</b>
<b>(c) Non-cash financing and investing activities</b>		
Distributions to unitholders reinvested	758	1,463
	<b>758</b>	<b>1,463</b>

**NOTE 11 - EVENTS OCCURRING AFTER THE BALANCE DATE**

There has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

**NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES**

The Scheme had no known commitments or contingent liabilities as at 30 June 2020 and 30 June 2019.

**Directors' Declaration**

In the opinion of the Directors of Antares Capital Partners Limited, the Responsible Entity of the Scheme:

The financial statements and notes set out on pages 5 to 18, are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the financial positions of the Scheme as at 30 June 2020 and of its performance for the year ended on that date;
- (b) complying with Accounting Standards and *Corporations Regulations 2001* ;
- (c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

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

Director: \_\_\_\_\_



Garry Mulcahy

Signature: \_\_\_\_\_

Dated at Sydney this 11th day of September 2020

## Independent Auditor's Report to the Unitholders of Antares Income Fund:

### Opinion

We have audited the financial report of Antares Income Fund (the 'Scheme'), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in unitholders funds and statement of cash flows for the year 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 Scheme is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Scheme's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- b) 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 Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 Thereon

The directors are responsible for the other information. The other information is the directors' 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 Scheme 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 Scheme'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 Scheme 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.



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working world**

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 grey ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in grey ink, appearing to be 'D. Handley-Greaves'.

Darren Handley-Greaves  
Partner  
Sydney  
11 September 2020



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### Important information

This information is prepared by Antares Capital Partners Ltd (ABN 85 066 081 114, AFSL 234483) as the responsible entity of the Fund; a member of the National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686) (NAB) group of companies (NAB Group), 105–153 Miller Street, North Sydney 2060. NAB does not guarantee or otherwise accept any liability in respect of any financial product referred to in this communication. This information is directed to and prepared for Australian and NZ residents (as applicable) only.