

IAM Small Companies Fund

ARSN 134 111 890

Special purpose financial report For the year ended 30 June 2016

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Special purpose financial report

For the year ended 30 June 2016

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This financial report covers IAM Small Companies Fund as an individual entity.

The Responsible Entity of IAM Small Companies Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 2, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of IAM Small Companies Fund (the "Fund"), present their report together with the financial statements of the Fund for the year 1 July 2015 to 30 June 2016.

Principal activities

Until its termination on 30 June 2016, the Fund invested in listed equities and Australian listed unit trusts in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

During the year, all assets of the Fund were liquidated and returned to unit holders.

The Fund did not have any employees during the year.

The various service providers for the Fund are detailed below:

| Service | Provider |
|-----------------------------|--|
| Responsible Entity | Equity Trustees Limited |
| Investment Manager | Ventura Investment Management Ltd |
| Sub-Investment Manager | Independent Asset Management Pty Limited |
| Custodian and Administrator | National Australia Bank Limited |
| Statutory Auditor | Deloitte Touche Tohmatsu |

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

| | |
|------------------------------|--|
| J A (Tony) Killen OAM | Chairman (resigned 28 June 2016) |
| David F Groves | Deputy Chairman (retired 14 December 2015) |
| Robin B O Burns | Managing Director (resigned 3 May 2016) |
| Michael J O'Brien | (resigned 28 June 2016) |
| Alice J M Williams | (resigned 28 June 2016) |
| The Hon Jeffrey G Kennett AC | (resigned 28 June 2016) |
| Anne M O'Donnell | (resigned 28 June 2016) |
| Kevin J Eley | (resigned 28 June 2016) |
| Philip D Gentry | Chairman (appointed 29 June 2016) |
| Harvey H Kalman | (appointed 29 June 2016) |
| Geoffory R Rimmer | (appointed 29 June 2016) |
| Martin G Walsh | (appointed 29 June 2016) |

Review and results of operations

This is the final financial statements for the Fund, which has terminated.

During the year, the Fund invested its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

Directors' report (continued)

Review and results of operations (continued)

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

| | Year ended 30 June 2016 | Year ended 30 June 2015 |
|--|--|-------------------------------|
| Operating profit/(loss) before finance costs attributable to unit holders (\$) | (163,730) | (1,204,777) |
| Distributions (\$) | 94,520 | 128,312 |
| Distributions (cents per unit) | 1.2461 | 1.6483 |

Significant changes in the state of affairs

David F Groves retired as a director of Equity Trustees Limited on 14 December 2015.

Michael J O'Brien was appointed as Executive Director of Equity Trustees Limited on 28 April 2016. Prior to this date Michael J O'Brien was a non-executive director of Equity Trustees Limited.

Robin B O Burns resigned as Managing Director of Equity Trustees Limited on 3 May 2016.

J A (Tony) Killen OAM, The Hon Jeffrey G Kennett AC, Michael J O'Brien, Kevin J Eley, Anne M O'Donnell and Alice J M Williams all resigned as directors of Equity Trustees Limited on 28 June 2016. On 29 June 2016 Philip D Gentry, Geoffroy R Rimmer, Harvey H Kalman and Martin G Walsh were appointed directors of Equity Trustees Limited.

The Fund terminated on 30 June 2016 when all unit holders' entitlements were redeemed.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may have a significant effect on:

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

Indemnification and insurance of officers

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

Indemnification of auditor

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

Directors' report (continued)

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 5 to the financial statements.

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

Environmental regulation

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

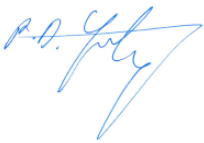
Rounding of amounts to the nearest dollar

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

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

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



Philip D Gentry
Chairman

Melbourne
30 August 2016

The Board of Directors
Equity Trustees Limited
Level 2, 575 Bourke Street
MELBOURNE VIC 3000

30 August 2016

Dear Board Members,

Independence Declaration – IAM Small Companies Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Equity Trustees Limited, the Responsible Entity of IAM Small Companies Fund (the “Fund”).

As lead audit partner for the audit of the financial statements of the Fund for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

IAM Small Companies Fund
Statement of comprehensive income
For the year ended 30 June 2016

Statement of comprehensive income

| | | Year Ended 30 June 2016 \$ | Year ended 30 June 2015 \$ |
|---|---|-------------------------------------|-------------------------------------|
| Investment income | | | |
| Interest income | | 2,036 | 1,866 |
| Dividend and distribution income | | 166,042 | 205,110 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | 3 | (221,750) | (1,304,890) |
| Other income | | <u>33</u> | <u>-</u> |
| Total investment income/(loss) | | <u>(53,639)</u> | <u>(1,097,914)</u> |
| Expenses | | | |
| Management fees | | 65,911 | 74,121 |
| Transaction costs | | 36,016 | 22,767 |
| Other expenses | | <u>8,164</u> | <u>9,975</u> |
| Total expenses | | <u>110,091</u> | <u>106,863</u> |
| Operating profit/(loss) | | <u>(163,730)</u> | <u>(1,204,777)</u> |
| Finance costs attributable to unit holders | | | |
| Distributions to unit holders | 6 | (94,520) | (128,312) |
| (Increase)/decrease in net assets attributable to unit holders | 5 | <u>258,250</u> | <u>1,333,089</u> |
| Profit/(loss) for the year | | <u>-</u> | <u>-</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u>-</u> | <u>-</u> |

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

Statement of financial position

| | Note | As at | |
|--|------|-----------------------|-----------------------|
| | | 30 June 2016 \$ | 30 June 2015 \$ |
| Assets | | | |
| Cash and cash equivalents | 7 | - | 697,306 |
| Receivables | 9 | - | 11,768 |
| Financial assets held at fair value through profit or loss | 4 | - | 5,961,337 |
| Total assets | | - | 6,670,411 |
| Liabilities | | | |
| Distribution payable | | - | 43,075 |
| Payables | 10 | - | 21,546 |
| Due to brokers - payable for securities purchased | | - | 62,007 |
| Total liabilities (excluding net assets attributable to unit holders) | | - | 126,628 |
| Net assets attributable to unit holders - liability | 5 | - | 6,543,783 |

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

Statement of changes in equity

| | Year ended 30 June 2016 \$ | Year ended 30 June 2015 \$ |
|--|---|---|
| Total equity at the beginning of the financial year | - | - |
| Profit/(loss) for the year | - | - |
| Other comprehensive income | - | - |
| Total comprehensive income | <u>-</u> | <u>-</u> |
| Transactions with owners in their capacity as owners | - | - |
| Total equity at the end of the financial year | <u>-</u> | <u>-</u> |

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

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

Statement of cash flows

| | Year ended 30 June 2016 \$ | Year ended 30 June 2015 \$ |
|---|-------------------------------------|-------------------------------------|
| | Note | |
| Cash flows from operating activities | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 10,344,804 | 5,055,264 |
| Purchase of financial instruments held at fair value through profit or loss | (4,667,224) | (4,468,040) |
| Transaction costs on financial instruments held at fair value through profit or loss | (36,106) | (22,767) |
| Interest income received | 2,036 | 1,866 |
| Dividends and distributions received | 175,907 | 209,381 |
| Other income received | 33 | - |
| Management and performance fees paid | (87,275) | (110,982) |
| Other expenses paid | (8,164) | (7,603) |
| GST received/(paid) | 1,903 | - |
| Net cash inflow/(outflow) from operating activities | 8(a) 5,725,914 | 657,119 |
| Cash flows from financing activities | | |
| Payments for redemptions by unit holders | (6,419,553) | (302,724) |
| Distributions paid to unit holders | (3,575) | (2,953) |
| Other cash paid from financing activities | (92) | - |
| Net cash inflow/(outflow) from financing activities | (6,423,220) | (305,677) |
| Net increase/(decrease) in cash and cash equivalents | (697,306) | 351,442 |
| Cash and cash equivalents at the beginning of the year | 697,306 | 345,864 |
| Cash and cash equivalents at the end of the year | 7 - | 697,306 |
| Non-cash operating and financing activities | 8(b) 134,020 | 114,586 |

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

Notes to the financial statements

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1 General information

These special purpose financial statements cover IAM Small Companies Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 3 November 2008. The Fund terminated its operations on 30 June 2016 when all assets of the Fund were realised and all units were redeemed out of the Fund.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 2, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in Australian dollars unless otherwise noted.

Until its termination on 30 June 2016, the Fund invested in listed equities and Australian listed unit trusts in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

The Fund is not a reporting entity because, in the directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Fund's Constitution.

As the Fund was terminated on 30 June 2016, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a liquidation basis. The liquidation basis means assets have been written down to the lower of their carrying amounts and net realisable value and additional liabilities have been recognised to the extent there was a present obligation at the reporting date. The accounting policies set out below have been applied within this context. As there were no assets or liabilities at the reporting date, adopting the liquidation basis did not change the carrying amounts of any assets or liabilities.

The financial statements have been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), the *Corporations Act 2001* in Australia and the following disclosure requirements:

- AASB 101 *Presentation of Financial Statements*;
- AASB 107 *Statement of Cash Flows*;
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 1048 *Interpretation and Application Standards*; and
- AASB 1054 *Australian Additional Disclosures*

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

(b) Financial instruments

(i) Classification

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

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded equity securities and listed unit trusts.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy as outlined in the Product Disclosure Statement. The Fund's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition and derecognition

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

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

(iii) Measurement

- Financial instruments held at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

The fair value of financial assets and liabilities traded in active markets (such as listed equities and Australian listed unit trusts) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(iv) Offsetting financial instruments

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

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(c) Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Fund's Constitution.

The units can be put back to the Fund at any time for cash based on the redemption price.

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

2 Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

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

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

(e) Investment income

(i) Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis. Other changes in fair value of financial instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(ii) Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions are recognised on an entitlement basis.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unit holders are presently entitled to the income of the Fund. The benefits of any imputation credits and foreign tax paid are passed on to unit holders.

(h) Distributions

The Fund distributes its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

(i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

(j) 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.

(k) Due from/to brokers

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

2 Summary of significant accounting policies (continued)

(l) Receivables

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

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

(m) Payables

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

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

(n) Applications and redemptions

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

(o) Goods and services tax (GST)

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

(p) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(q) Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

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

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

| | Year ended 30 June 2016 \$ | Year ended 30 June 2015 \$ |
|--|-------------------------------------|-------------------------------------|
| Financial assets | | |
| Net realised gain/(loss) on financial assets held at fair value through profit or loss | (221,750) | (910,735) |
| Net unrealised gain/(loss) on financial assets held at fair value through profit or loss | <u>-</u> | <u>(394,155)</u> |
| Total net gains/(losses) on financial instruments held at fair value through profit or loss | <u>(221,750)</u> | <u>(1,304,890)</u> |

4 Financial assets held at fair value through profit or loss

| | As at 30 June 2016 \$ | 30 June 2015 \$ |
|---|--------------------------------|-----------------------|
| Designated at fair value through profit or loss | | |
| Listed equity securities | - | 5,570,651 |
| Australian listed property trusts | <u>-</u> | <u>390,686</u> |
| Total financial assets held at fair value through profit or loss | <u>-</u> | <u>5,961,337</u> |

5 Net assets attributable to unit holders

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

| | Year ended 30 June 2016 Units | Year ended 30 June 2015 Units | Year ended 30 June 2016 \$ | Year ended 30 June 2015 \$ |
|--|--|--|-------------------------------------|-------------------------------------|
| Opening balance | 7,635,233 | 7,860,710 | 6,543,783 | 8,065,010 |
| Redemptions | (7,797,853) | (350,097) | (6,419,553) | (302,724) |
| Reinvestment of distributions | 162,620 | 124,620 | 134,020 | 114,586 |
| Increase/(decrease) in net assets attributable to unit holders | <u>-</u> | <u>-</u> | <u>(258,250)</u> | <u>(1,333,089)</u> |
| Closing balance | <u>-</u> | <u>7,635,233</u> | <u>-</u> | <u>6,543,783</u> |

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

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

6 Distributions to unit holders

The distributions declared during the year were as follows:

| | Year ended 30 June 2016 \$ | Year ended 30 June 2016 CPU | Year ended 30 June 2015 \$ | Year ended 30 June 2015 CPU |
|----------------------------|---|--|---|--|
| Distributions | | | | |
| December | 44,181 | 0.5847 | 85,237 | 1.0841 |
| June (paid) | 50,339 | 0.6614 | - | - |
| June (payable) | - | - | 43,075 | 0.5642 |
| Total distributions | <u>94,520</u> | <u>1.2461</u> | <u>128,312</u> | <u>1.6483</u> |

7 Cash and cash equivalents

| | As at | |
|--|--------------------------------|--------------------------------|
| | 30 June 2016 \$ | 30 June 2015 \$ |
| Cash at bank | - | 697,306 |
| Total cash and cash equivalents | <u>-</u> | <u>697,306</u> |

This account is earning a floating interest rate of between 1.30% and 1.55% as at 30 June 2016 (30 June 2015: 1.55% and 2.05%).

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

| | Year ended 30 June 2016 \$ | Year ended 30 June 2015 \$ |
|---|-------------------------------------|-------------------------------------|
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | |
| Profit/(loss) for the period | - | - |
| Increase/(decrease) in net assets attributable to unit holders | (258,250) | (1,333,089) |
| Distribution to unit holders | 94,520 | 128,312 |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 10,344,804 | 5,055,264 |
| Purchase of financial instruments held at fair value through profit or loss | (4,667,224) | (4,468,040) |
| Net (gains)/losses on financial instruments held at fair value through profit or loss | 221,750 | 1,304,890 |
| Net change in receivables | 11,768 | 6,553 |
| Net change in payables | (21,454) | (36,771) |
| Net cash inflow/(outflow) from operating activities | <u>5,725,914</u> | <u>657,119</u> |
| (b) Non-cash operating and financing activities | | |
| The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan | <u>134,020</u> | <u>114,586</u> |
| Total non-cash operating and financing activities | <u>134,020</u> | <u>114,586</u> |

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in 8(a)) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

9 Receivables

| | As at | |
|--------------------------|-----------------------|-----------------------|
| | 30 June 2016 \$ | 30 June 2015 \$ |
| Distribution receivable | - | 9,865 |
| GST receivable | - | 1,903 |
| Total receivables | <u>-</u> | <u>11,768</u> |

10 Payables

| | As at | |
|---|-----------------------|-----------------------|
| | 30 June 2016 \$ | 30 June 2015 \$ |
| Transaction cost payable | - | 90 |
| Withholding tax payable | - | 92 |
| Management and performance fees payable | - | 21,364 |
| Total payables | <u>-</u> | <u>21,546</u> |

11 Remuneration of auditor

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

| | Year ended 30 June 2016 \$ | Year ended 30 June 2015 \$ |
|---|---|---|
| Deloitte Touche Tohmatsu | | |
| <i>Audit and other assurance services</i> | | |
| Audit of financial statements | 7,200 | 7,957 |
| Audit of compliance plan | - | 3,183 |
| Total remuneration for audit and other assurance services | 7,200 | 11,140 |
| <i>Taxation Services</i> | | |
| Tax compliance services | 5,040 | 5,040 |
| Total remuneration for taxation services | 5,040 | 5,040 |
| Total remuneration of Deloitte Touche Tohmatsu | 12,240 | 16,180 |

The auditor's remuneration is borne by the Investment Manager. Fees are stated net of GST.

12 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2016 or on the results and cash flows of the Fund for the year ended on that date.

13 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

Directors' declaration

As stated in Note 2(a) of the financial statements, the Fund is not a reporting entity because, in the directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*.

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 18:
 - (i) comply with Australian Accounting Standards and other mandatory professional reporting requirements; to the extent outlined in Note 2 to the financial statements; and
 - (ii) give a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the financial year ended on that date.
- (b) As outlined in Note 1 to the financial statements, the Fund terminated its operations on 30 June 2016 and all units were redeemed out of the Fund.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited.



Philip D Gentry
Chairman

Melbourne
30 August 2016

Independent Auditor's Report to the Directors of the Responsible Entity of IAM Small Companies Fund

We have audited the accompanying financial report, being a special purpose financial report, of IAM Small Companies Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of the Fund (the "Directors") are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2(a) to the financial report, which includes the non-going concern basis of accounting, is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the reporting requirements of the Directors under the Fund's Constitution. The Directors' responsibility also includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors, would be in the same terms if given to the Directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 2(a), and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2(a) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Corporations Act 2001* and the reporting requirements of the Directors under the Fund's Constitution. As a result, the financial report may not be suitable for another purpose.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 30 August 2016