

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Interim report for the financial half-year ended 31 December 2013

Index to the Financial Statements

	Page
Directors' Report	1
Auditor's Independence Declaration	4
Independent Auditor's Report	5
Directors' Declaration	7
Statement of Comprehensive Income for the half-year ended 31 December 2013	8
Statement of Financial Position as at 31 December 2013	9
Statement of Changes in Equity for the half-year ended 31 December 2013	10
Statement of Cash Flows for the half-year ended 31 December 2013	11
Notes to the Financial Statements	
1. General Information	12
2. Adoption of New and Revised Accounting Standards	12
3. Significant Accounting Policies	13
4. Investments in Financial Instruments	14
5. Net Assets Attributable to Unitholders	15
6. Management Fees Paid and Payable	15
7. Performance Fees Paid and Payable	16
8. Contingent Assets, Liabilities and Commitments	16
9. Subsequent Events	16
10. Related Party Transactions	16

Directors' Report

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"), the responsible entity of Atlantic Pacific Australian Equity Fund ("APAEF" or the "Fund"), submit their report together with the financial statements for the Fund for the half-year ended 31 December 2013.

Responsible Entity

The registered office and principal place of business of the Responsible Entity is Level 13, 20 Hunter Street, Sydney NSW 2000.

Directors

The names of the directors of the Responsible Entity, during the half-year and up to the date of this report are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director

Principal Activities

The Fund is a registered managed investment scheme, domiciled in Australia. The Fund was constituted on 1 May 2012, and commenced operations on 1 June 2013.

The principal activity of the Fund during the half-year was to invest in accordance with the provisions of the Fund's Constitution and offer documents.

The Fund's primary emphasis is to invest in a diversified portfolio of small to large market capitalisation Australian listed securities, and securities in respect of which listing has been proposed. Cash, cash equivalents, convertible notes and derivatives may also be included.

The Fund did not have any employees during the half-year.

Review of Operations

As this is the first half-year financial report, there are no comparative figures in the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows.

Results

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of these financial statements. The net profit attributable to unitholders for the half-year ended 31 December 2013 was \$341,377.

Distributions

In respect of the financial half-year ended 31 December 2013, no distributions were paid to unitholders.

Value of Assets and Units Issued

The total value of the Fund's assets at 31 December 2013 is \$4,930,163 (30 June 2013: \$1,280,553). The total number of units issued during the half-year and on issue as at 31 December 2013 is 4,118,315 (30 June 2013: 1,229,000).

Key management personnel of the Responsible Entity and their associated entities did not hold any units in the Fund during the half-year and as at 31 December 2013.

Directors' Report (continued)

Management Fees Paid and Payable

The management fee paid and payable out of the Fund assets to the Responsible Entity is detailed in Note 6 of the financial statements.

Performance Fees Paid and Payable

The performance fee paid and payable out of the Fund assets to the Responsible Entity is detailed in Note 7 of the financial statements.

Significant Changes in State of Affairs

During the financial half-year there were no significant changes in the state of affairs of the Fund.

Subsequent Events

There has been no matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Likely Developments and Expected Results of Operations

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its most recent Product Disclosure Statement, dated 4 March 2013.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Indemnification of Directors, Officers and Auditors

During the financial half-year, the Responsible Entity paid premiums in respect of contracts insuring the directors of the Responsible Entity against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contracts of insurance prohibit disclosure of the nature of the liability and the amount of the premiums.

The Responsible Entity, during or since the end of the financial half-year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability as such an officer or auditor.

Auditor

PricewaterhouseCoopers is the auditor of the Fund and continues in office in accordance with section 327 of the Corporations Act 2001.

Directors' Report (continued)

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 4.

Made in accordance with a resolution of the directors of the Responsible Entity.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.

A handwritten signature in black ink, appearing to read 'Frank Tearle', written in a cursive style.

Frank Tearle
Director
12 March 2014



Auditor's Independence Declaration

As lead auditor for the review of Atlantic Pacific Australian Equity Fund for the half-year ended 31 December 2013, I declare that 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 review and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'Ashley Wood'.

AS Wood
Partner
PricewaterhouseCoopers

12 March 2014

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Independent auditor's review report to the unitholders of Atlantic Pacific Australian Equity Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atlantic Pacific Australian Equity Fund (the registered scheme), which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the registered scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the registered scheme's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the registered scheme, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Atlantic Pacific Australian Equity Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the registered scheme's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

AS Wood

AS Wood
Partner

Sydney
12 March 2014

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (b) the financial statements and notes set out on pages 8 to 17 are in accordance with the Corporations Act 2001, including:
 - compliance with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - give a true and fair view of the Fund's financial position as at 31 December 2013 and its performance for the half-year ended on that date.

Signed in accordance with a resolution of the directors of the Responsible Entity.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle
Director
12 March 2014

Statement of Comprehensive Income for the half-year ended 31 December 2013

	Note	Half-year ended 31 December 2013 \$
Income		
Net gain on financial assets at fair value through profit or loss	4	363,305
Dividend income		27,447
Interest income		11,052
Total income		401,804
Expenses		
Management fees	6	31,133
Performance fees	7	15,419
Other expenses		13,875
Total expenses		60,427
Net profit attributable to unitholders before finance costs		341,377
Finance costs		
Distributions to unitholders		-
Net profit attributable to unitholders after finance costs		341,377
(Increase)/decrease in net assets attributable to unitholders		(341,377)
Profit/(loss) for the period		-
Comprehensive income		
Other comprehensive income		-
Total comprehensive income		-

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Financial Position as at 31 December 2013

	Note	31 December 2013 \$	30 June 2013 \$
Assets			
Cash and cash equivalents		835,982	481,441
Dividends receivable		-	924
Interest receivable		1,783	1,581
Other assets		3,836	675
Financial assets at fair value through profit or loss	4	4,088,562	795,932
Total assets		4,930,163	1,280,553
Liabilities			
Management fees payable		3,691	2,106
Performance fees payable		23,319	6,771
Other payables		3,463	30,363
Total liabilities (excluding net assets attributable to unitholders)		30,473	39,240
Net assets attributable to unitholders	5	4,899,690	1,241,313

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Changes in Equity for the half-year ended 31 December 2013

	Half-year ended 31 December 2013
	\$
Total equity at the beginning of the half-year	-
Profit/(loss) for the year	-
Other comprehensive income	-
Total comprehensive income	-
Transactions with owners in their capacity as equity holders	-
Total equity at the end of the financial half-year	-

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

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Cash Flows for the half-year ended 31 December 2013

		Half-year ended 31 December 2013 \$
	Note	
Cash flows from operating activities		
Interest received		10,850
Dividends received		28,371
Other receipts		956
Other payments in the course of operations (inc GST)		(73,311)
Payments for purchase of financial assets at fair value through profit or loss	4	(8,013,969)
Proceeds from sales of financial assets designated at fair value through profit or loss	4	5,084,644
Net cash used in operating activities		<u>(2,962,459)</u>
Cash flows from financing activities		
Proceeds from unitholder applications	5	<u>3,317,000</u>
Net cash provided by financing activities		<u>3,317,000</u>
Net increase in cash and cash equivalents		354,541
Cash and cash equivalents at the beginning of the period		<u>481,441</u>
Cash and cash equivalents at the end of the period		<u>835,982</u>

The accompanying notes to the financial statements should be read in conjunction with this statement.

Notes to the Financial Statements

1. General Information

The Fund is an unlisted registered managed investment scheme. The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"). The registered office and principal place of business of the Responsible Entity is Level 13, 20 Hunter Street, Sydney NSW 2000.

The Fund was constituted on 1 May 2012, registered as a managed investment scheme on 7 June 2012 and commenced operations on 1 June 2013.

The Fund is a for-profit entity for the purpose of preparing these financial statements. The principal activity of the Fund is disclosed in the Directors' Report.

2. Adoption of New and Revised Accounting Standards

The Fund has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current half-year.

The Fund has adopted the following standards:

- AASB 10 'Consolidated Financial Statements' and AASB 127 (revised 2011) 'Separate Financial Statements' by AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities'; and
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.

Investments in controlled entities

The objective of AASB 10 is to establish principles for the preparation and presentation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The Fund has reviewed its investments in other entities to assess whether the conclusion as to whether the Fund controls an investee or not is different under AASB 10. No differences were identified.

The amendments made by AASB 2013-5 introduce an exception from consolidation requirements for investment entities. On adoption of the amendments, the Fund has determined that it meets the definition of an investment entity.

Investment entity

The Fund has multiple investments which are controlled by it. However, the Fund has determined that it is an investment entity under the definition in AASB 10 as it meets the following criteria:

- the Fund has obtained funds from unitholders for the purpose of providing them with investment management services;
- the Fund's business purpose, which it communicated directly to unitholders, is investing solely for returns from capital appreciation and investment income; and
- the performance of investments made by the Fund are measured and evaluated on a fair value basis.

The Fund also meets all of the typical characteristics of an investment entity.

As a consequence, the Fund does not consolidate these investments, but accounts for them at fair value through profit or loss.

Fair value measurement

AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant.

Notes to the Financial Statements

2. Adoption of New and Revised Accounting Standards (continued)

Changes in accounting policy

The Fund had to change some of its accounting policies as the result of new and revised accounting standards.

Change to bid/ask prices for actively quoted financial instruments

AASB 13 also removes the requirement to use bid/ask prices for actively quoted financial instruments. Rather the most representative price within the bid/ask spread is used. The Fund has elected to use the last traded price and the Responsible Entity will ensure that the last traded price used by the Fund, at the balance sheet date falls within the bid/ask spread as at that date. Where it falls outside the bid/ask spread, an alternative basis most representative of fair value within the bid/ask spread, will be used.

Prior to 1 July 2013, the price used for financial assets was the current bid price. The Fund adopted AASB 13 from 1 July 2013 and changed its fair value inputs to utilise the last traded price. This change is applied prospectively and as a consequence the fair value adjustment of \$1,028 has been recorded as a fair value movement through profit or loss. Comparative amounts have not been restated.

3. Significant Accounting Policies

a) Statement of Compliance

The half-year report is a general purpose financial report in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'.

This half-year report does not include all the notes of the type normally included in an annual financial report. Accordingly, this half-year report shall be read in conjunction with the annual report.

The financial statements were authorised for issue by the directors of the Responsible Entity on 12 March 2014.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements, as issued by the IASB.

b) Basis of preparation

This general purpose financial report has been prepared under the historical cost convention, as modified by the revaluation of investments in financial assets and liabilities, which have been measured at fair value.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Fund's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described in Note 2. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The preparation of financial statements in conformity with Australian Accounting Standards can require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions can be based on the historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which would form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There was no use of judgments, estimates and assumptions in determining the carrying values of assets, liabilities, income and expenses as at 31 December 2013.

All amounts are presented in Australian dollars as the functional and presentational currency of the Fund.

As this is the first half-year financial report, there is no prior period comparative information in the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows.

Notes to the Financial Statements
4. Investments in Financial Instruments

Financial assets designated as fair value through profit or loss

	31 December 2013 \$	30 June 2013 \$
Financial assets at fair value through profit or loss		
Comprising:		
Investments in equity securities		
Investments in listed securities	4,088,562	791,082
Total equity securities	4,088,562	791,082
Investments in derivatives		
Investments in futures	-	4,850
Total derivatives	-	4,850
Total financial assets at fair value through profit or loss	4,088,562	795,932

The following table shows a reconciliation of financial assets for the half-year ended 31 December 2013:

	Half-year ended 31 December 2013 \$
Opening balance	795,932
Purchases	8,013,969
Sales	(5,084,644)
Unrealised gain on financial assets held at fair value through profit or loss	98,881
Realised gain on financial assets held at fair value through profit or loss	264,424
Closing balance of financial assets held at fair value through profit or loss	4,088,562

Fair value hierarchy

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

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

Notes to the Financial Statements
4. Investments in Financial Instruments (continued)

The following table presents the Fund's financial assets measured and recognised at fair value on a recurring basis as at 31 December 2013.

	31 December 2013			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Investments in equity securities	4,088,562	-	-	4,088,562
Total equity securities	4,088,562	-	-	4,088,562
	30 June 2013			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Investments in equity securities	791,082	-	-	791,082
Investments in derivatives	4,850	-	-	4,850
Total financial assets at fair value through profit or loss	795,932	-	-	795,932

The fair value of financial assets above was determined using the last traded quoted price in an active market.

There were no transfers between levels 1, 2 and 3 during the year. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

5. Net Assets Attributable to Unitholders

	No. of Units	\$
Opening balance as at 1 July 2013	1,229,000	1,241,313
Applications for units by unitholders	2,889,315	3,317,000
Increase in net assets attributable to unitholders	-	341,377
Closing balance as at 31 December 2013	4,118,315	4,899,690

6. Management Fees Paid and Payable

Management fees are the fees charged to manage and oversee the operation of the Fund. Under the Constitution, the Responsible Entity has the right to charge up to 5% (including GST) of the gross asset value of the Fund as a management fee. Per the Product Disclosure Statement dated 4 March 2013, the Responsible Entity will only charge a management fee of 2% per annum (including GST) of the gross asset value of the Fund. The fee accrues daily and is payable monthly in arrears out of the assets of the Fund.

The Responsible Entity pays the costs of third parties providing custodian, administrative and registry services to the Fund out of the management fee. The Responsible Entity also pays APSEC Funds Management Pty Ltd ("Investment Manager") an annual investment management fee for providing investment management services to the Fund.

The Responsible Entity is entitled to be reimbursed out of the Fund for Fund related expenses.

Notes to the Financial Statements

6. Management Fees Paid and Payable (continued)

The Investment Manager prepays to the Fund an amount equal to the expected expenses for the coming month. Until such time as the Fund has sufficient assets, this prepayment is effectively subsidised by the Investment Manager.

The following management fees were paid or payable out of the Fund's property during the half-year ended 31 December 2013:

- Management fees of \$31,133 were incurred during the half-year.
- Management fees payable at 31 December 2013 were \$3,691 (30 June 2013: \$2,106).

7. Performance Fees Paid and Payable

The Investment Manager is entitled to be paid a performance fee of 15% (including GST) of any increased net performance of the Fund per Unit once the high water mark (being the highest net asset value of the Fund at the end of a previous month, divided by the number of units on issue and adjusting for payment of fees and distributions) has been exceeded for the month, subject to the Fund's performance exceeding the S&P/ASX200 Accumulation Index by 3.0% per annum ("Performance Hurdle").

If a performance fee is payable, then it will accrue monthly and be paid within 30 days of the end of the relevant quarter.

The following performance fees were paid or payable out of the Fund's property during the half-year ended 31 December 2013:

- Performance fees of \$15,419 were incurred during the half-year.
- Performance fees payable at 31 December 2013 were \$23,319 (30 June 2013: \$6,771).

8. Contingent Assets, Liabilities and Commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2013 (30 June 2013: \$ nil).

9. Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

10. Related Party Transactions

a) Management fees

The management fee paid and payable out of the Fund assets to the Responsible Entity is detailed in Note 6 of the financial statements.

b) Performance fees

The performance fee paid and payable out of the Fund assets to the Responsible Entity is detailed in Note 7 of the financial statements.

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

Notes to the Financial Statements

10. Related Party Transactions (continued)

c) Key management personnel

The table below shows the units acquired during the period and held by key management personnel of the Investment Manager and their associated entities as at 31 December 2013.

	31 December 2013		30 June 2013	
	Units held	% of the Fund	Units held	% of the Fund
George Paxton	25,538	0.62%	-	-
	25,538	0.62%	-	-

There were no units held by key management personnel of the Responsible Entity and their associated entities during the half-year and as at 31 December 2013.