

Ironbark Capital Limited
ABN 89 008 108 227

Annual Report
For the year ended 30 June 2018

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ABN 89 008 108 227

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Directors	Michael J Cole B Ec, M Ec (Syd), F Fin Ross J Finley B Comm (NSW) Ian J Hunter BA LLB (Syd), MBA (MGSM)
Company Secretary	Jill Brewster MBA (MGSM), AGIA, ACIS, FIPA, FFA
Principal Registered Office	Suite 607 180 Ocean Street Edgecliff NSW 2027 Telephone: (02) 8917 0399
Share Registrar	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 Shareholder enquiries telephone: (within Australia) 1300 737 760 (outside Australia) +61 2 9290 9600
Investment Manager	Kaplan Funds Management Pty Limited Suite 607 180 Ocean Street Edgecliff NSW 2027 Telephone: (02) 8917 0300
Accounting & Administration	Kaplan Funds Management Pty Ltd Suite 607, 180 Ocean Street Edgecliff NSW 2027 Telephone: (02) 8917 0399 Fax: (02) 8917 0355
Auditors	MNSA Pty Ltd Level 1 283 George Street Sydney NSW 2000
Website	www.ironbarkcapital.com
Company Secretarial & all other enquiries	Telephone: (02) 8917 0399 Email: enquiries@ironbarkcapital.com
Stock Exchange	Australian Securities Exchange ASX code: IBC

Review of Operations and Activities

The 2018 year was a year where markets were increasingly affected by global and domestic activities resulting in higher volatility. The banking sector experienced a material negative impact of the Banking Royal Commission and the telecommunications sector sustained significant adverse structural adjustments from the rollout of the NBN.

Investment Performance

The Ironbark Capital Limited ("Ironbark") portfolio returned 5.6% for the year inclusive of franking credits, underperforming the benchmark (one year swap interest rate plus 6%) by 2.3%. The performance was achieved with a portfolio that has a much lower volatility than the market. The volatility of the Ironbark portfolio was around half of the ASX 300 Accumulation.

The significant gains made in 2018 were not repeated this year with a more subdued outlook from a number of the large companies in the market. This resulted in a change in the portfolio holdings as Ironbark realised losses from call option positions and switched to more significant contributors such as BHP.

The Ironbark performance continues to reflect the Investment Manager's absolute return focus and income emphasis which includes the writing of call options. NTA after provision for tax on unrealised losses was \$0.536, compared to \$0.538 from the previous period. The NTA is after a 1.85 cents per share fully franked dividend paid in the period.

Results for the Full Year

The profit after tax of \$2.28 million, was down on the \$4.56 million of the prior year reflecting the poor performance of some of the large cap stock holdings. Income from the trading portfolio was \$2.85 million. The underlying income of dividends, interest and distributions increased 10% on the prior year. Losses of \$1.86 million were realised as the Company exited out of poor performing companies.

Ironbark's MER increased marginally from 0.77% to 0.81%.

Dividends

The primary focus of Ironbark is the payment of fully franked dividends as corporate profits create the opportunity to do so. In 2018, fully franked dividends of 1.85 cents per share were paid to shareholders.

Ironbark has declared a fully franked dividend of 0.85 cents per share out of the Profit Reserve as at 31 July 2018 payable 18 September 2018. As per the current legislation, this dividend will be franked at the 27.5% tax rate.

Ironbark Corporate Outlook

The Directors of Ironbark have a current policy to provide liquidity to shareholders every three years via a buy-back facility. This policy was introduced to assist the narrowing of the NTA discount by providing the certainty of a periodic exit at approximately NTA. A resolution for the buy-back will be put to shareholders at the Annual General Meeting on 13 November 2018. Further information is provided in the explanatory notes to the Notice of Meeting.

We uphold our view that there continues to be investor demand for a low volatility, absolute return and fully franked dividend focused investment portfolio offered in a LIC structure.

Conclusion

The Directors will continue to set a policy direction for Ironbark consistent with our view of the best opportunities for the Company in the current investment climate.

Michael J Cole
Chairman

Corporate Governance Statement

The Board of Ironbark Capital Limited are committed to achieving high standards of corporate governance. Ironbark Capital Limited has reviewed its corporate governance practices against the ASX Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 Corporate Governance Statement is dated as at 30 June 2018 and reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 Corporate Governance statement was approved by the Board on 15 August 2018.

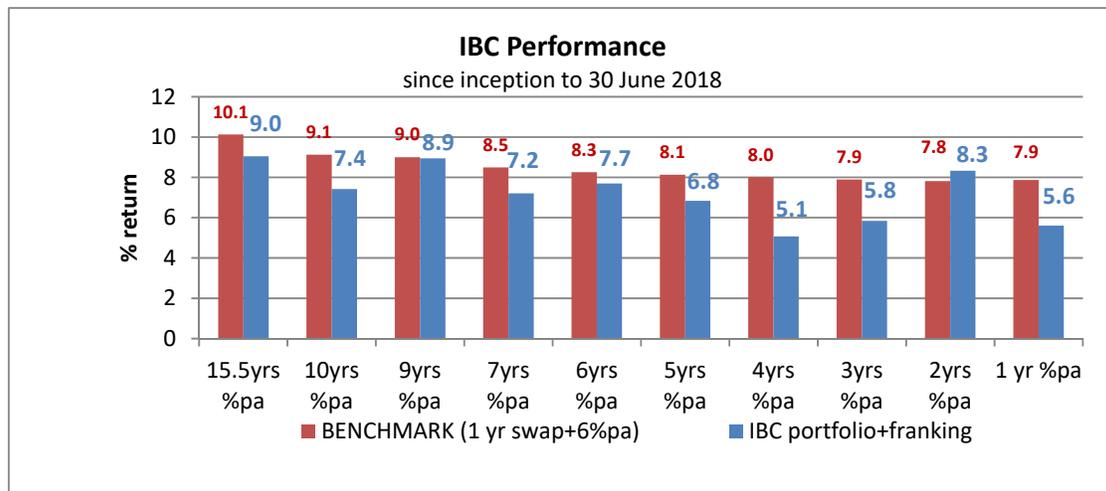
The Corporate Governance Statement can be viewed on the Company's website at www.ironbarkcapital.com/about/corporate-governance

Investment Manager Report

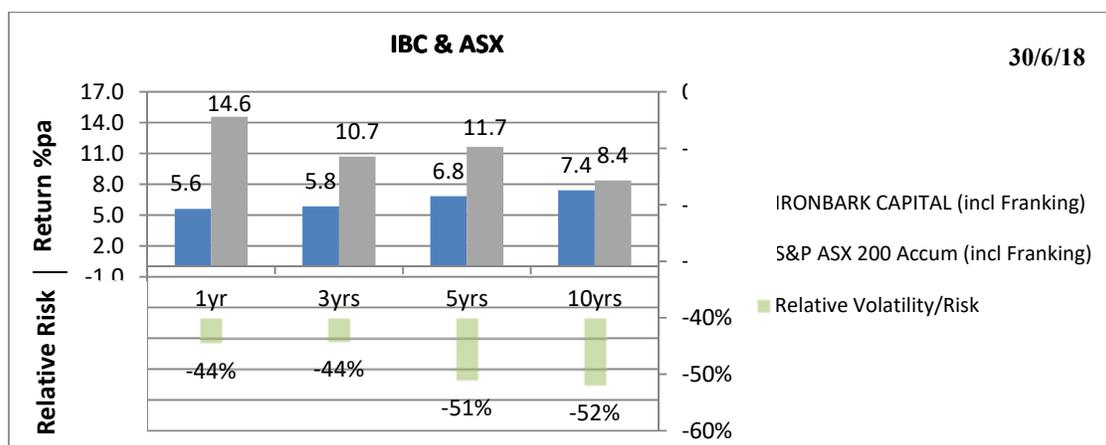
The manager’s focus is to deliver consistent returns and a high fully franked dividend yield from the portfolio. Commensurate with its investment objective IBC’s performance benchmark is the 1 year swap rate plus 6%.

Performance measurement includes franking credits and option premium income. Franking credits are a significant source of return from IBC’s hybrid investments and for shareholders. Option premium income is generated from buy & write activity and varies with market conditions. Over the financial year, realised option premium income was approximately \$990,000. The calculation of the portfolio’s current running yield of 6.8% excludes option income because realised option premiums are highly variable from year to year.

IBC recorded a portfolio return of 5.6% over the financial year underperforming its benchmark return of 7.9%. Since inception, over 15.5 years including two years of the disastrous GFC, the portfolio achieved a return of 9.0%pa with risk measuring approximately 53% of equity market risk.



IBC’s focus on income generation and capital preservation from a balanced portfolio structure has delivered superior risk adjusted returns compared to the equity market. Over the 10 year period the portfolio’s return was 7.4%pa with 52% less risk than the ASX200 Accumulation Index return of 8.4% (inclusive of franking credits). In the most recent year a return of 5.6% was delivered with 44% less risk than the equities market.



Portfolio

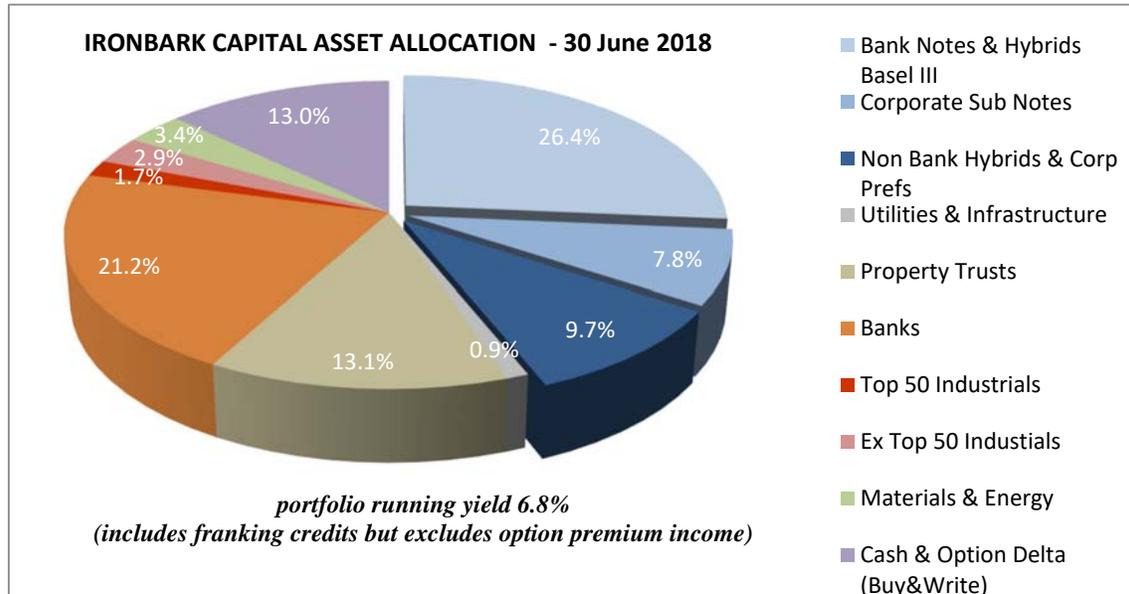
The portfolio is structured with an emphasis on income through yield orientated securities (hybrids and corporate bonds, utilities, property trusts) and buy & write positions in Banks, BHP, Telstra and other leading companies. The portfolio’s running yield was 6.8% inclusive of franking credits but excluding option premium income.

The buy & write strategy involves buying selective shares and selling, subject to appropriate timing, call options over those shares. This strategy gives away some of the upside potential from a shareholding but generates option premium income consistent with the income emphasis of the portfolio.

The portfolio is diversified across 39 different entities. Higher risk exposures in banks, industrials and resources are largely held through buy & write option positions for income enhancement or added protection. The portfolio’s hybrid and corporate bond holdings are mostly floating rate securities with little duration risk.

Approximately 44% of the portfolio was held in hybrids and corporate bonds and 26% in buy & writes in Banks, Telstra and BHP. The balance is represented by: 13.1% in property trusts, 2.9% in mid-cap and small companies, 1% in utilities and 13% held in cash & option delta.

Asset allocation reflects a cautious stance.



Portfolio Performance – financial year to 30 June 2018

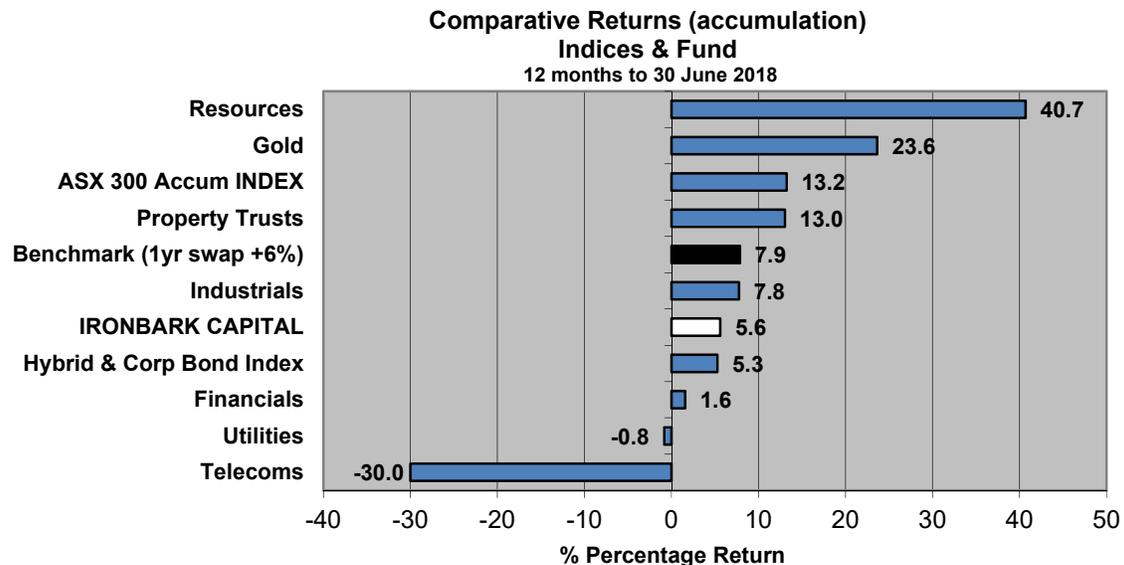
The portfolio produced a return of 5.6% for the financial year.

Corporate credit and hybrid securities representing 44% of the portfolio delivered more normalised returns of 5.3% compared to the double digit returns achieved last year. A number of listed corporate bonds matured during the year that were issued around 5 years ago, but without replacement due to the absence of equity credit previously afforded by the credit rating agencies to these securities. A further \$2.4bn in corporate sub notes will mature over the next six months. The manager introduced unlisted investment grade corporate debt to improve diversity away from financials. The unlisted market is very liquid. New issues of Basel III bank hybrid securities during the year were largely replacement securities. All hybrids to date have been redeemed on the first optional call date. The demand supply balance remains favourable with around \$4.9bn of bank hybrids maturing in the next nine months. The floating rate structures of corporate debt and hybrid securities received the benefit of a widening in the bank bill rate by 0.6% over the official cash rate in the June quarter.

The equities markets rallied strongly but returns were heavily skewed towards resources with BHP up 51%. At the other end, Telstra fell by a massive -30% and the banks collectively struggled to produce a positive return impacted by the banking royal commission. CBA was the worst performing bank falling 6.8% and ANZ the best of the major banks gaining 3.9%. Buy & write returns were overall modest due to the negative contribution from Telstra. Over the year, the physical weighting in Telstra was significantly reduced and replaced with an increased weighting to BHP.

The property trusts sector produce a strong return of 13% driven by corporate activity and continued yield compression. The portfolio weighting was increase during the year from 9% to 13% and returns benefited from a takeover bid for Investa Office Fund by Blackstone.

Cash exposure (including option delta) was 13% at the end of the period reflecting the manager’s cautious outlook.



Kaplan Funds Management

Ironbark Capital Limited
ABN 89 008 108 227
Portfolio Shareholdings as at 30 June 2018

ASX Code	Security	Market Value* \$'000	% of portfolio	% exposure**
Banks				
ANZ	ANZ Banking Group Limited	3,061	4.3	3.0
CBA	Commonwealth Bank of Australia Limited	5,961	8.5	7.2
CYB	CYBG PLC	98	0.1	0.1
NAB	National Australia Bank Limited	2,280	3.2	2.9
WBC	Westpac Banking Corporation Limited	5,973	8.5	8.0
		17,373	24.6	21.2
Hybrids & Corporate Bonds				
AGLHA	AGL Energy Limited - Subordinated Notes	819	1.2	1.2
AMP011227	AMP Limited - Subordinated Notes (Unlisted)	494	0.7	0.7
AMPPA	AMP Limited - Capital Notes	313	0.4	0.4
ANZPG	ANZ Banking Group Limited - Capital Notes	732	1.0	1.0
BENPE/PG	Bendigo & Adelaide Bank Limited - Capital Notes	1,432	2.0	2.0
BOQPE	Bank of Queensland Limited - Capital Notes	2,292	3.3	3.3
CBAPC/PD/PG	Commonwealth Bank of Australia Perls VI, VII & X	2,997	4.2	4.2
CGFPB	Challenger Limited - Capital Notes	512	0.7	0.7
CTX170425	Caltex Australia Limited - Fixed Rate Bonds (Unlisted)	506	0.7	0.7
CWNHA/HB	Crown Limited - Subordinated Notes	1,357	1.9	1.9
IAG150644	Insurance Australia Group - Subordinated Notes (Unlisted)	506	0.7	0.7
IAGPD	Insurance Australia Group Limited - Capital Notes	2,617	3.7	3.7
IANG	Insurance Australia Group Limited - Perpetual Reset Exchangeable Notes	2,570	3.6	3.6
MEB091120	Members Equity Bank Limited - Floating Rate Senior Notes (Unlisted)	502	0.7	0.7
MEB281120	Members Equity Bank Limited - Capital Notes (Unlisted)	516	0.7	0.7
MQGPB/PC	Macquarie Group Limited - Capital Notes	1,047	1.5	1.5
NABHA	National Australia Bank Limited Income Securities	930	1.3	1.3
NABPA/PD	National Australia Bank Limited - Capital Notes	2,941	4.2	4.2
QUBHA	Qube Holdings Limited - Subordinated Notes	1,904	2.7	2.7
RHCPA	Ramsay Healthcare Limited - Perpetual Preference Securities	604	0.9	0.9
SUNPF/PG	Suncorp Group Limited - Capital Notes	3,247	4.6	4.6
SVWPA	Seven Group Holdings Limited - Perpetual Preference Securities	362	0.5	0.5
WBCPG/PH	Westpac Banking Group Corporation Limited - Capital Notes	2,368	3.4	3.4
		31,568	44.6	44.6
Large Industrial				
TLS	Telstra Corporation Limited	1,398	2.0	1.7
		1,398	2.0	1.7
Materials & Energy				
BHP	BHP Billiton Limited	7,846	11.1	3.3
BLD	Boral Limited	44	0.1	0.0
		7,890	11.2	3.3
Property				
CHC	Charter Hall Group Limited	313	0.4	0.4
CIP	Centuria Industrial REIT	218	0.3	0.3
CLW	Charter Hall Long WALE REIT	3,175	4.5	4.5
CMA	Centuria Metropolitan REIT	51	0.1	0.1
CRR	Convenience Retail REIT	163	0.2	0.2
FLK	Folkestone Limited	612	0.9	0.9
GOZ	Growthpoint Properties	448	0.6	0.6
IOF	Investa Office Fund	643	0.9	0.9
VVR	VIVA Energy REIT	3,816	5.4	5.4
		9,439	13.3	13.3

*Includes market value of options written against holdings

**Includes option delta written against holdings

Ironbark Capital Limited
ABN 89 008 108 227
Portfolio Shareholdings as at 30 June 2018

ASX Code	Security	Market Value* \$'000	% of portfolio	% exposure**
	Small Industrial			
BUB	Bubs Australia Limited	36	0.1	0.1
ING	Inghams Group Limited	57	0.1	0.1
PYG	Paygroup Limited	93	0.1	0.1
RWC	Reliance Worldwide Corporation Limited	97	0.1	0.1
SCO	Scottish Pacific Group Limited	100	0.1	0.1
SDF	Steadfast Group Limited	1,684	2.4	2.4
		2,067	2.9	2.9
	Utilities & Infrastructure			
SKI	Spark Infrastructure Group	676	1.0	1.0
		676	1.0	1.0
	Cash			
		314	0.4	12.0
		70,725	100.0	100.0

*Includes market value of options written against holdings

**Includes option delta written against holdings

Directors' Report

Your Directors present their report on the Company for the year ended 30 June 2018.

Directors

The following persons were Directors of Ironbark Capital Limited during the financial year and up to the date of this report:

Michael J Cole
 Ross J Finley
 Ian J Hunter

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

During the year the principal activities of the Company included investments in securities listed on the Australian Securities Exchange.

Dividends

Dividends paid to members since the end of the previous financial year were as follows:

	Record Date	Dividend Rate	Total Amount \$'000	Date of Payment	% Franked
2018					
Ordinary shares - Final	16/02/2018	1.1cps	\$1,510	05/03/2018	100
Ordinary shares - Interim	31/08/2017	0.75cps	\$1,029	20/09/2017	100
2017					
Ordinary shares - Final	28/02/2017	1.05cps	\$1,321	20/03/2017	100
Ordinary shares – Interim	15/12/2016	1.0cps	\$1,258	16/01/2017	100
Ordinary shares – Interim	17/08/2016	0.95cps	\$1,196	31/08/2016	100

Review of Operations

The profit from ordinary activities after income tax amounted to \$2,280,000 (2017: \$4,556,000).

The net tangible asset backing for each ordinary share as at 30 June 2018 amounted to \$0.531 per share (2017: \$0.528 per share).

Earnings per share

	2018	2017
Basic and diluted earnings per share (cents per share)	1.66	3.55

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year other than as disclosed in the financial statements.

Matters subsequent to the end of the financial year

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

Likely developments and expected results of operations

The Company will continue to be managed in accordance with the investment objectives set out in the governing documents and in accordance with the Constitution. The Company will continue to pursue its investment objectives for the long term benefit of the members. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an accidental impact on the Company's operations the Directors of the Company are not aware of any breach by the Company of those regulations.

Information on directors

Michael J Cole B Ec, M Ec (Syd), F Fin *Chairman*

Experience and expertise

Investment manager and investment banker

Other current directorships

Chairman of Platinum Asset Management Limited.

Former directorships

Chairman, IMB Limited.

Interests in shares

3,000,000 shares

Ross J Finley B Comm (NSW)

Experience and expertise

Investment manager and stockbroker

Other current directorships

Director, Century Australia Investments Limited

Interests in shares

600,000 shares

Ian J Hunter BA LLB (Syd), MBA (MGSM) *Audit Committee Chairman*

Experience and expertise

Banking and finance

Other directorships

Director, Platinum Asia Investments Limited

Interests in shares

1,575,000 shares

The particulars of directors' interests in shares of the Company are as at the date of this report.

Company Secretary

The Company Secretary is Ms Jill Brewster. She is the Company Secretary for Kaplan Funds Management Pty Limited and has held senior management and advisory roles across corporate, finance and operations in the investment and financial services industry. She is a member of The Governance Institute of Australia, formerly known as Chartered Secretaries Australia.

Meetings of directors

The numbers of meetings of the Company's Board of Directors and Audit Committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Board meetings		Audit Committee	
	A	B	A	B
Michael J Cole	4	4	2	2
Ross J Finley	4	4	2	2
Ian J Hunter	4	4	2	2

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year

Audit Committee

The Audit Committee consists of Mr Ian Hunter, Mr Michael Cole and Mr Ross Finley. The Chairman is Mr Ian Hunter, who is not the Chairman of the Board.

Remuneration report

This report details the nature and amount of remuneration for each Director and Key Management Personnel of Ironbark Capital Limited in accordance with the *Corporations Act 2001*.

Remuneration policy

The Board determines the remuneration structure of Non-Executive Directors, having regards to the scope of the Company's operations and other relevant factors including the frequency of Board meetings as well as directors' length of service, particular experience and qualifications. The Board makes a recommendation to shareholders as to the level of Non-Executive Directors' remuneration which is then put to shareholders at the Annual General Meeting for approval. The Company has no employees as the investment management and administration services are outsourced.

As the Company does not provide share or option schemes to Directors, remuneration of Non-Executives is not explicitly linked to the Company's performance. Notwithstanding this, Board members are subject to ongoing performance monitoring and regular performance reviews.

Directors' benefits

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed in the Directors' Report, by reason of a contract made by the Company or a related entity with the director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

Details of remuneration

The following table shows details of the remuneration received by the Directors of the Company for the current and previous financial year.

2018

Name	Cash salary and fees \$	Superannuation \$	Total \$
MJ Cole	22,000	-	22,000
RJ Finley	22,000	-	22,000
IJ Hunter	22,000	-	22,000
	66,000	-	66,000

2017

Name	Cash salary and fees \$	Superannuation \$	Total \$
MJ Cole	22,000	-	22,000
RJ Finley	22,000	-	22,000
IJ Hunter	22,000	-	22,000
	66,000	-	66,000

Directors are paid a maximum remuneration of \$22,000 each per annum.

Accounting and company secretarial duties are outsourced to Kaplan Funds Management Pty Limited. Ms Brewster received no fees from Ironbark Capital Limited. Kaplan Funds Management Pty Limited is remunerated for services rendered pursuant to an Administrative Services Agreement effective 1 April 2014.

Equity instruments held by key management personnel

(i) Options

No options were granted over issued shares or interests during the financial year or since the financial year end by the Company to Directors or any other officers.

(ii) Share holdings

The relevant interest in the shares of the Company of each director and as notified to the ASX is as follows:

2018

Name	Balance at the start of the year	Net movement	Balance at the end of the year
Directors of Ironbark Capital Limited			
Ordinary shares			
Michael J Cole	3,000,000	-	3,000,000
Ross J Finley	600,000	-	600,000
Ian J Hunter	1,575,000	-	1,575,000
	<u>5,175,000</u>	-	<u>5,175,000</u>

Insurance and indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

No non-audit services were performed by the auditors or consultation fees were incurred by the Company during the year ended 30 June 2018 (2017: \$nil).

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 15.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments commission, relating to the 'rounding off' of amounts in the financial statements and Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Michael J Cole
Director

Sydney
17 August 2018



IRONBARK CAPITAL LIMITED
ABN 89 008 108 227

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF IRONBARK CAPITAL LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

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

MNSA Pty Ltd

Sam Danieli
Director

Sydney
17 August 2018

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Profit or Loss and
Other Comprehensive Income
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Investment income from trading portfolio			
Revenue	6	3,754	3,408
Net (losses)/gains on trading portfolio	6	<u>(902)</u>	2,609
Total investment income from trading portfolio		<u>2,852</u>	<u>6,017</u>
Expenses			
Management fees	19 (b)	(294)	(279)
Brokerage expense		(23)	(28)
Accounting fees		(41)	(47)
Share registry fees		(33)	(41)
Custody fees		(32)	(27)
Tax fees		(11)	(9)
Directors' liability insurance		(16)	(16)
Directors' fees	19 (a)	(66)	(66)
ASX fees		(46)	(43)
Audit fees	17	(35)	(35)
Options expense		(18)	(28)
Other expenses		(20)	(6)
Total expenses		<u>(635)</u>	<u>(625)</u>
Profit before income tax		2,217	5,392
Income tax benefit/(expense)	7	<u>63</u>	(836)
Net profit for the year		<u>2,280</u>	4,556
Other comprehensive income/(loss) for the year net of tax		-	-
Total comprehensive income for the year		<u>2,280</u>	<u>4,556</u>
		Cents	Cents
Basic and diluted earnings per share	22	1.66	3.55

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

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Financial Position
As at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	314	6,565
Trade and other receivables	9	1,227	456
Trading portfolio	10	70,411	65,226
Current tax assets		-	102
Other assets		3	3
Total current assets		71,955	72,352
Non-current assets			
Deferred tax assets	12	1,791	1,722
Total non-current assets		1,791	1,722
Total assets		73,746	74,074
LIABILITIES			
Current liabilities			
Trade and other payables	13	64	114
Total current liabilities		64	114
Non-current liabilities			
Deferred tax liabilities	14	7	7
Total non-current liabilities		7	7
Total liabilities		71	121
Net assets		73,675	73,953
Equity			
Issued capital	15	74,644	74,663
Profit reserve		527	786
Accumulated losses		(1,496)	(1,496)
Total equity		73,675	73,953

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

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Changes in Equity
For the year ended 30 June 2018

Notes	Issued capital \$'000	Profit reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	74,663	786	(1,496)	73,953
Profit for the year	-	-	2,280	2,280
Transfer to profit reserve	-	2,280	(2,280)	-
Total comprehensive income for the year	-	2,280	-	2,280
Transactions with owners in their capacity as owners:				
Dividends paid	16	-	(2,539)	(2,539)
Contributions of equity from rights issue, net of transaction costs	15(c),(d)	(19)	-	(19)
Balance at 30 June 2018	74,644	527	(1,496)	73,675
Balance at 1 July 2016				
	69,537	5	(1,496)	68,046
Profit for the year	-	-	4,556	4,556
Transfer to profit reserve	-	4,556	(4,556)	-
Total comprehensive income for the year	-	4,556	-	4,556
Transactions with owners in their capacity as owners:				
Dividends paid	16	-	(3,775)	(3,775)
Contributions of equity from rights issue, net of transaction costs	15(c),(d)	5,126	-	5,126
Balance at 30 June 2017	74,663	786	(1,496)	73,953

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

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Cash Flows
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Interest received		454	493
Net payments for purchase of trading portfolio		(6,834)	(2,298)
Dividends and trust distributions received		3,160	2,884
Other income received		67	61
Management fees paid		(294)	(297)
Other expenses paid		(343)	(289)
Taxes refunded/(paid)		102	(207)
Net cash (outflow)/inflow from operating activities	21	<u>(3,688)</u>	<u>347</u>
Cash flows from financing activities			
Dividends paid to shareholders	16	(2,539)	(3,775)
Proceeds from rights issue		-	5,147
Transaction costs paid for rights issue	15(c)	(24)	(29)
Net cash (outflow)/inflow from financing activities		<u>(2,563)</u>	<u>1,343</u>
Net (decrease)/increase in cash and cash equivalents		(6,251)	1,690
Cash and cash equivalents at beginning of financial year		<u>6,565</u>	<u>4,875</u>
Cash and cash equivalents at the end of the financial year	8	<u>314</u>	<u>6,565</u>

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

1. General information

Ironbark Capital Limited (the "Company") is a listed public company domiciled in Australia. The address of Ironbark Capital Limited's registered office is Suite 607, 180 Ocean Street, Edgecliff NSW 2027. The financial statements of Ironbark Capital Limited are for the year ended 30 June 2018. The Company is primarily involved in making investments, and deriving revenue and investment income from listed securities and unit trusts in Australia.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity Ironbark Capital Limited.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a 'for profit' entity.

The Financial Statements were authorised for issue by the directors on 17 August 2018.

(i) Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

(ii) New and amended standards adopted by the Company

The Company has adopted the following new amendment standards for the first time for the annual reporting period commencing 1 July 2018:

- AASB 2016-1 *Recognition of deferred tax assets for unrealised tax losses* (effective from 1 January 2017)

AASB 2016-1 clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is lower than the asset's tax cost base. This does not change the underlying principles for the recognition of deferred tax assets.

- AASB 2016-2 *Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows* (effective from 1 January 2017)

This amendment requires entities to provide disclosures that enable users of financial statements to evaluate cash and non-cash changes in their financial activities.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect any future periods.

(iii) Historical cost convention

These Financial Statements have been prepared under the accruals basis and are based on historical cost convention, except that financial instruments are stated at their fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, refer to Note 4.

2. Significant accounting policies (continued)

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and trade allowances.

(i) Trading income

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the year they are earned/incurred.

(ii) Dividends and trust distributions

Dividends and trust distributions are recognised as revenue when the right to receive payment is established.

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Other income

The Company recognises other income when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(c) Income tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss in the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. 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, 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.

(e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(f) Trading portfolio

Classification

The trading portfolio comprises securities held for short term trading purposes, including exchange traded option contracts that are entered into, as described below. The purchase and the sale of securities are accounted for at the date of trade. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

Options are initially brought to account at the amount received upfront for entering the contract (the premium) and subsequently revalued to current market value. Increments and decrements are taken through the Statement of Profit or Loss and Other Comprehensive Income.

Securities in the trading portfolio are classified as "assets measured at fair value through profit or loss".

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

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

Subsequent to initial recognition, the financial instruments are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

When disposal of an investment occurs, the cumulative gain or loss is recognised as realised gains and losses on trading portfolio in the Statement of Profit or Loss and Other Comprehensive Income.

The objective of determining fair value for a financial instrument that is traded in an active market is to arrive at the price at which a transaction would occur at the end of the reporting period. The existence of published price quotations in an active market is the best evidence of fair value and is used to measure the financial asset or financial liability.

Financial assets are valued at their fair value without any deduction for transaction costs that may be incurred on sale or other disposal. Certain costs in acquiring investments, such as brokerage and stamp duty are expensed in the Statement of Profit or Loss and Other Comprehensive Income.

2. Significant accounting policies (continued)

(g) Derivatives

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to derivatives are included in investment income as part of realised or unrealised gains and losses on investments.

(h) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year that remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(i) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Profit reserve

The Profit Reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

(k) Dividends

In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

It is the Directors' policy to only pay fully franked dividends and to distribute the majority of franking credits received each year. Franking credits are generated by receiving fully franked dividends from shares held in the Company's investment portfolio, and from the payment of corporate tax on its other investment income, namely share option premiums, unfranked income and net realised gains.

A provision for dividends payable is recognised in the reporting period in which dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(l) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2. Significant accounting policies (continued)

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO and are presented as operating cash flows.

(n) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(o) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

(p) Operating Segments

The Company operated in Australia only and the principal activity is investment.

(q) New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not yet been applied in the Financial Statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses revised requirements for the classification, measurement, recognition and derecognition of financial assets and financial liabilities, including hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Directors do not expect there will be any impact on the accounting for the Company's financial assets or liabilities.

(ii) AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirement applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

2. Significant accounting policies (continued)

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard requires retrospective restatement, as well as enhanced disclosures regarding revenue. There is no expected impact on the Company's financial statements.

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

3. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as trading portfolio.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The Investment Manager of the trading portfolio has been granted specific risk tolerance boundaries as set out in the Investment Management Agreement.

The Company's investments split by sector as at 30 June are set out below:

Sector	2018 (%)	2017 (%)
Financials	57.1	52.9
Property Trusts	12.5	9.4
Materials	11.2	4.2
Corporate floating rate notes	9.9	11.2
Small Industrials	4.2	2.6
Telecommunications services	2.0	9.1
Utilities	1.0	0.6
Healthcare & biotechnology	0.9	0.8
Corporate fixed rate bonds	0.7	-
Cash	0.4	9.1
Consumer staples	0.1	0.1
Total	100.0	100.0

3. Financial risk management (continued)

Securities representing over 5 percent of the trading portfolio at 30 June 2018 were:

	2018 (%)
BHP Billiton Limited	11.1
Commonwealth Bank of Australia Limited	8.5
Westpac Banking Corporation Limited	8.5
	28.1

The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars.

The following table illustrates the effect on the Company's profit or loss based on a fall in market prices of 5% and 10% on the investment assets in the Company's portfolio at reporting date, assuming a flat tax rate of 27.5 percent (2017: 30 percent):

	Impact on post-tax profit			
	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Index				
Change in variable by +5%/ -5% (2017: +5%/ -5%)	2,552	(2,552)	2,283	(2,283)
Change in variable by +10%/ -10% (2017: +10%/ -10%)	5,105	(5,105)	4,566	(4,566)

This illustration does not take into account covered call option positions

(ii) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets 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 risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	314	-	-	314
Trade and other receivables	-	-	1,227	1,227
Trading portfolio	7,029	506	62,876	70,411
	7,343	506	64,103	71,952
Financial liabilities				
Trade and other payables	-	-	(64)	(64)
	-	-	(64)	(64)
Net exposure	7,343	506	64,039	71,888

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2018 is 1.09% pa (2017: 1.23% pa).

Sensitivity

At 30 June 2018, if interest rates had increased or decreased by 75 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$39,925 higher/\$39,925 lower (2017: changes of 75 bps/75 bps: \$76,419 higher/\$76,419 lower).

3. Financial risk management (continued)

(b) Credit risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

There are no material amounts of collateral held as security at 30 June 2018.

Credit risk is managed as noted in Note 8 with respect to cash and cash equivalents, Note 9 for trade and other receivables and Note 10 for floating rate note trading portfolio. None of these assets are over-due or considered to be impaired.

(c) Liquidity risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager monitors cash-flow requirements daily taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradable securities which can be sold on-market if necessary.

The table below analyses the Company's non-derivative financial liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year-end date. The amounts in the table are contractual undiscounted cash flows.

At 30 June 2018	Less than 1 month \$'000	More than 1 month \$'000
Non-derivatives		
Trade and other payables	64	-
Total non-derivatives	64	-
At 30 June 2017	Less than 1 month \$'000	More than 1 month \$'000
Non-derivatives		
Trade and other payables	114	-
Total non-derivatives	114	-

3. Financial risk management (continued)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Company's financial assets and liabilities (by class) measured and recognised at fair value according to the fair value hierarchy at 30 June 2018 and 30 June 2017:

30 June 2018

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trading portfolio	67,886	2,525	-	70,411
Total	67,886	2,525	-	70,411

30 June 2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trading portfolio	65,226	-	-	65,226
Total	65,226	-	-	65,226

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and loans.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

5. Segment information

The Company has only one reportable segment. The Company operates predominantly in Australia and in one industry being the securities industry, deriving revenue from dividend, distribution and interest income and from the sale of its trading portfolio.

6. Investment income

	2018 \$'000	2017 \$'000
<i>Revenue</i>		
Dividends	2,699	2,563
Interest	457	508
Distributions	531	276
Other income	67	61
	3,754	3,408
 <i>Net gains/(losses) on trading portfolio</i>		
Net realised (losses)/gains on trading portfolio	(1,865)	(840)
Net unrealised gains/(losses) on trading portfolio	963	3,449
	(902)	2,609
	2,852	6,017

7. Income tax expense

(a) Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income

	2018 \$'000	2017 \$'000
Current tax	(714)	(333)
Deferred tax	651	1,169
	(63)	836
 <i>Income tax (benefit) / expense is attributable to:</i>		
Profit from continuing operations	(63)	836

7. Income tax expense (continued)

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	2018 \$'000	2017 \$'000
Profit from continuing operations before income tax expense/(benefit)	2,217	5,392
Tax at the Australian rate of 27.5% (2017: 30.0%)	610	1,618
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	(1,132)	(1,103)
Imputation gross up on dividend income	311	331
Timing differences	266	159
Realised taxable investment (loss)/gain	(749)	(399)
Realised accounting investment loss	513	252
Adjustments for current tax of prior year	118	(22)
Income tax (benefit)/expense	(63)	836

8. Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash at bank and in hand	314	6,565

Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with National Australia Bank Limited which is rated AA- (2017: JP Morgan A+) by Standard & Poor's.

9. Trade and other receivables

	2018 \$'000	2017 \$'000
Dividends and distributions receivable	495	425
Interest receivable	27	24
GST Receivable	7	7
Unsettled sales	698	-
	1,227	456

Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within two days of the date of a transaction. None of the receivables is past due or impaired at the end of the reporting period.

9. Trade and other receivables (continued)

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Risk exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

10. Trading portfolio – held at fair value through profit or loss

	2018 \$'000	2017 \$'000
Listed equities	53,373	50,520
Property and infrastructure trusts	9,503	6,715
Floating rate notes - listed	5,010	7,991
Floating rate notes - unlisted	2,018	-
Fixed rate bonds - unlisted	507	-
	70,411	65,226

The value of the trading portfolio includes the market value of options written against holdings (note 11).

Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 3.

11. Derivative financial instruments

In the normal course of business, the Company enters into transactions in derivative financial instruments with certain risks. A derivative is a financial instrument or other contract whose value depends on, or is derived from, underlying assets, liabilities or indices. Derivative transactions include a wide assortment of instruments, such as forwards, futures, options and swaps.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multi-faceted and includes:

- (i) hedging to protect an asset of the Company against a fluctuation in market values or to reduce volatility;
- (ii) as a substitute for physical securities; and
- (iii) adjustment of asset exposures within the parameters set out in the investment strategy.

The Company holds the following derivative instruments:

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy a call option or buy a put option at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held are exchange-traded.

11. Derivative financial instruments (continued)

At year end, the notional principal amounts of derivatives held by the Company were as follows:

	Notional principal amounts 2018 \$'000	Notional principal amounts 2017 \$'000
Australian exchange traded options	(917)	(506)

12. Deferred tax assets

	2018 \$'000	2017 \$'000
The balance comprises temporary differences attributable to:		
Net unrealised losses of investments	707	1,353
Tax losses	1,036	342
Other temporary differences	48	27
	1,791	1,722
Movements:		
Opening balance:	1,722	2,568
Charged/credited:		
- to profit or loss	69	(846)
	1,791	1,722

13. Trade and other payables

	Notes	2018 \$'000	2017 \$'000
Management fees payable	19(c)	26	26
Other payables		38	88
		64	114

14. Deferred tax liabilities

	2018 \$'000	2017 \$'000
The balance comprises temporary differences attributable to:		
Accrued income	7	7
	7	7
Movements:		
Opening balance	7	17
Charged/credited - to profit or loss	-	(10)
	7	7

15. Issued capital

(a) Issued capital

	30 June 2018 Shares	30 June 2017 Shares	2018 \$'000	2017 \$'000
Ordinary shares - fully paid	<u>137,258,651</u>	137,258,651	<u>74,644</u>	74,663

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Movements in ordinary share capital

	Number of shares	\$'000
Balance at 1 July 2017	137,258,651	74,663
Less:		
Transaction costs (net of tax)	-	(17)
Deferred tax adjustments	-	(2)
Balance at 30 June 2018	<u>137,258,651</u>	<u>74,644</u>

Transaction costs relate to a non-renounceable offer of 1 share for every 8 fully paid ordinary shares issued on 1 May 2017.

(d) Dividend reinvestment plan

Under the Company's dividend reinvestment plan (DRP), additional shares are allotted at a price calculated at 97.5% of the weighted average share price. The DRP is currently suspended and as such, there were no shares issued under the dividend reinvestment plan during the year.

(e) Capital risk management

To achieve this, the Board of Directors monitor the monthly NTA results, investment performance, the Company's Indirect Cost Ratio (formerly known as 'Management Expense Ratio') and share price movements.

The Company is not subject to any externally imposed capital requirements.

16. Dividends

(a) Ordinary Shares recognised as paid

	2018 \$'000	2017 \$'000
Final dividend	1,510	1,321
Interim dividend	1,029	2,454
	2,539	3,775

In respect of the financial year ended 30 June 2018, no further dividend has been declared.

(b) Dividend franking account

	2018 \$'000	2017 \$'000
Opening balance of franking account	804	1,112
Franking credits on dividends received	1,132	1,103
Net tax refunded during the year	(102)	207
Franking credits on ordinary dividends paid	(963)	(1,618)
Closing balance of franking account	871	804
Adjustments for tax payable/(refundable) in respect of the current year's profits	-	(102)
Franking credits on dividends received after year end	173	160
	173	58
	1,044	862

(c) Dividend rate

	Record Date	Dividend Rate	Total Amount \$'000	Date of Payment	% Franked
2018					
Ordinary shares - Final	16/02/2018	1.1cps	\$1,510	05/03/2018	100
Ordinary shares - Interim	31/08/2017	0.75cps	\$1,029	20/09/2017	100
2017					
Ordinary shares - Final	28/02/2017	1.05cps	\$1,321	20/03/2017	100
Ordinary shares – Interim	15/12/2016	1.0cps	\$1,258	16/01/2017	100
Ordinary shares – Interim	17/08/2016	0.95cps	\$1,196	31/08/2016	100

17. Remuneration of auditors

During the year the following fees were paid or payable (GST inclusive) for services provided by the auditor of the Company, its related practices and non-related audit firms:

	30 June 2018 \$'000	30 June 2017 \$'000
<i>Audit and other assurance services</i>		
MNSA Pty Ltd - Audit and review of financial statements	35	35

18. Contingencies

The Investment Management Agreement entered into by the Company with Kaplan Funds Management Pty Ltd may be terminated by either party giving to the other no less than one-year written notice of its intention to do so.

The Company had no other contingent liabilities at 30 June 2018 (2017: nil).

19. Related party transactions

(a) Key management personnel

	2018 \$'000	2017 \$'000
Short-term benefits	66	66

(b) Transactions with other related parties

The following transactions occurred with related parties (exclusive of RITC):

	2018 \$'000	2017 \$'000
Management fees paid or payable	294	279

The Company has entered into a Management Agreement with Kaplan Funds Management Pty Ltd such that it will manage investments of the Company, ensure regulatory compliance with all the relevant laws and regulations, and provide administrative and other services for a fee. No performance fees were paid or payable to Kaplan Funds Management Pty Ltd for the year ended 30 June 2018 (2017: nil).

19. Related party transactions (continued)

(c) Outstanding balances

The following balances (GST inclusive) are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2018 \$'000	30 June 2017 \$'000
Management fees payable	26	26

(d) Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

20. Events occurring after the reporting period

Since the end of the financial year, Ironbark has declared a fully franked dividend of 0.85 cents per share out of the Profit Reserve as at 31 July 2018 payable 18 September 2018. As per the current legislation, this dividend will be franked at the 27.5% tax rate.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

21. Reconciliation of profit after income tax to net cashflow from operating activities

	2018 \$'000	2017 \$'000
Profit for the year	2,280	4,556
Unrealised (gains)/losses on trading portfolio	(963)	(3,449)
Realised losses/(gains) on trading portfolio	1,866	840
Change in operating assets and liabilities		
(Increase)/Decrease in trade and other receivables	(771)	63
(Decrease)/Increase in trade and other payables	(51)	7
Increase in tax liabilities	39	629
(Increase) in trading portfolio	(6,088)	(2,299)
Net cash (outflow)/inflow from operating activities	(3,688)	347

22. Earnings per share

(a) Basic earnings per share

	2018 Cents	2017 Cents
From continuing operations attributable to the ordinary equity holders of the company	1.66	3.55
Total basic earnings per share attributable to the ordinary equity holders of the company	1.66	3.55

22. Earnings per share (continued)

(b) Diluted earnings per share

	2018	2017
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the company	<u>1.66</u>	3.55
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>1.66</u>	3.55

Diluted earnings per share is the same as basic earnings per share. The Company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

(c) Weighted average number of shares used as denominator

	2018	2017
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share</i>	<u>137,258,651</u>	128,420,924

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 16 to 37 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given a declaration by Jill Brewster on behalf of Kaplan Funds Management Pty Limited, as a person who performs the Chief Executive functions of the Company, required by section 295A of the *Corporations Act 2001*.

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



Michael J Cole
Director

Sydney
17 August 2018



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF IRONBARK CAPITAL LIMITED
ABN 89 008 108 227**

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Ironbark Capital Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- (a) the financial report of Ironbark Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 2.

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 Ironbark Capital Limited 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ironbark Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p><i>Valuation and Existence of Trading portfolio</i></p> <p>The trading portfolio at 30 June 2018 comprised of listed equity investments and exchange traded options of \$70 million.</p> <p>We focused on the valuation and existence of investments because trading investment represents the principal element of the net asset value disclosed on the Statement of Financial Position in the financial statements.</p>	<p>We tested the valuation of investments by vouching the share prices to independent market pricing information multiplying the investment quantity held as at 30 June 2018, to ensure they are fairly stated.</p> <p>We agreed the existence of a sample of purchases and sales that occurred during the period to the contract notes of investments; agreeing the contract notes to the purchases and sales reports.</p> <p>No differences were identified.</p>
<p><i>Revenue from Trading portfolio</i></p> <p>Auditing Standard ASAs presume there are risks of fraud in revenue recognition unless rebutted.</p> <p>We focused on the cut-off, accuracy and completeness of dividend revenue, interest, dividend receivables and interest receivables.</p>	<p>We assessed the accounting policy for revenue recognition for compliance with the accounting standards and performed testing to ensure that revenue had been accounted for in accordance with the accounting policy.</p> <p>We found that the accounting policies implemented were in accordance with the accounting standards, and that revenue has been accounted for in accordance with the accounting policy.</p> <p>We tested the accuracy and completeness of dividend revenue by agreeing the dividends and distributions of a sample of investments to supporting documentation obtained from share registries.</p> <p>We tested the cut-off of dividend revenue and dividend receivables by checking the dividend details of a sample of investments from external market information and ensured that dividends that were declared before, but payable after, the reporting date were recorded.</p> <p>No differences were identified.</p>



Other Information

The directors of Ironbark Capital Limited are responsible for the other information. The other information comprises the information in the annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Ironbark Capital Limited are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 entity'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 entity's internal control.

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.



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 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.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Ironbark Capital Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Ironbark Capital Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA Pty Ltd
MNSA Pty Ltd

Sam Danieli
Director

Sydney
17 August 2018

Shareholder Information

Stock Exchange Listing

Ironbark has 137,258,651 fully paid ordinary shares on issue held by 1,841 security holders. These are listed on the Australian Securities Exchange under ASX code: IBC.

Transaction Summary

The Company conducted 411 security transactions during the financial year. Brokerage paid during the year net of RITC claimable was \$22,846.

Voting rights

The Constitution provides for votes to be cast for fully paid ordinary shares as follows:

- i. on a show of hands, every member present in person, by proxy, by attorney or corporate representative has 1 vote; and
- ii. on a poll, every member present in person, by proxy, by attorney or corporate representative has 1 vote for each share held by the member.

Distribution of security holdings

As at 21 September 2018 there were 1,841 shareholders of fully paid ordinary shares in Ironbark Capital Limited. These holders were distributed as follows:

Holdings Range	No. of Shareholders	Shares	%
1-1,000	275	99,386	0.07
1,001-5,000	363	1,058,009	0.77
5,001-10,000	235	1,766,519	1.29
10,001-100,000	830	27,963,830	20.37
100,001 and over	138	106,370,907	77.50
Totals	1,841	137,258,651	100.00

There were 250 shareholders holding less than a marketable parcel of 990 ordinary shares/\$500, based on a share price of \$0.505.

Largest twenty shareholders

The largest 20 shareholders of the Company's shares as at 21 September 2018 are listed below:

Holder Name	Ordinary Shares	
	Number Held	%
KAPLAN PARTNERS PTY LIMITED	43,838,109	31.94%
NATIONAL NOMINEES LIMITED	9,313,114	6.79%
IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	3,347,898	2.44%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,042,411	2.22%
ABTOURK (SYD NO 415) PTY LTD <MICHAEL JOHN COLE PSF A/C>	3,000,000	2.19%
MRS GLENDA CLAIRE ORGILL	2,008,480	1.46%
LIANGROVE MEDIA PTY LIMITED	1,943,456	1.42%
HPIC PTY LTD	1,697,625	1.24%
SUPENTIAN PTY LIMITED <HUNTER PENSION FUND A/C>	1,575,000	1.15%
BOND STREET CUSTODIANS LIMITED <MCGOL - I27406 A/C>	1,389,077	1.01%
AGO PTY LTD <SUPERANNUATION FUND A/C>	1,352,270	0.99%
LIANGROVE GROUP PTY LTD	1,166,081	0.85%
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,095,001	0.80%
GRANTULLY INVESTMENTS PTY LIMITED	1,092,801	0.80%
MR ANTHONY GEOFFREY HARTNELL	1,059,685	0.77%
BOND STREET CUSTODIANS LIMITED <MCGOL - DR0020 A/C>	806,127	0.59%
BOND STREET CUSTODIANS LIMITED <MCGOL - CP0570 A/C>	721,884	0.53%
BOND STREET CUSTODIANS LIMITED <MCGOL - AP0390 A/C>	712,982	0.52%
BOND STREET CUSTODIANS LIMITED <MCGOL - V04537 A/C>	664,086	0.48%
NORBERT INVESTMENTS PTY LTD	623,438	0.45%
	80,449,525	58.61%

Total Securities as per Register

137,258,651

Substantial shareholders

As at 21 September 2018 the following substantial holder notices had been received by Ironbark Capital in respect of shareholders and their associates:

Holder Name	Notice Date	Ordinary Shares	
		Number Held	%
KAPLAN PARTNERS PTY LIMITED	2 May 2017	47,725,466	34.77%

On-market buy-back

There is no current on-market buy-back of shares.