

Ironbark Capital Limited
ABN 89 008 108 227

Annual Report
For the year ended 30 June 2020

Ironbark Capital Limited

ABN 89 008 108 227

Annual Report For the year ended 30 June 2020

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Directors	Michael J Cole AM 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 second half of the 2020 year saw markets both global and domestic increasingly affected by the COVID-19 pandemic, resulting in extreme volatility. On the domestic front, February saw the market at an all time high, followed by a sharp fall of around 36% on 23 March 2020, as consumer confidence plummeted and the uncertainty surrounding the virus took hold, forcing the government to respond to the deteriorating economic conditions.

Companies responded by deferring or reducing their dividends and this will continue in the near term as companies dissect the impact of these extreme conditions on their business. By June, the market had bounced back somewhat in response to government stimulus which was positive for banks and companies whose offerings contributed to the new 'norm' of living in a pandemic.

Investment Performance

The Ironbark Capital Limited ("Ironbark") portfolio returned negative 4.38% for the year inclusive of franking credits, underperforming the benchmark (one year swap interest rate plus 6%) of 6.62% on volatility that was 70% of the market. The ASX 300 Accumulation returned approximately negative 6.4% including franking. The turnaround in the market is reflected in the performance of the portfolio for the June quarter which returned a positive 11.24% compared to the benchmark of 1.46%, reflecting the strong rebound particularly in the hybrid market and banking sector.

The Ironbark performance continues to reflect the Investment Manager's absolute return focus and income emphasis which includes the writing of call options. Call options written contributed around \$490k to income. NTA before provision for tax on unrealised losses was \$0.492, compared to \$0.545 in the previous period. The NTA is after a 2.2 cents per share fully franked dividend paid in the period.

Results for the Full Year

The loss after tax of \$2.61 million, was down on the \$5.60 million profit of the prior year reflecting the performance of some of the large cap stock holdings in the current environment, with unrealised losses contributing \$4.5 million to the result. Revenue from the trading portfolio was \$2.76 million, down around 30% on the prior year as a result of the deferral or reduction in company dividends and due to the one-off special dividends in FY19 which were not repeated in the current financial year. Losses of \$1.87 million were realised.

Expenses were contained, resulting in an MER of 0.9%.

Dividends

The primary focus of Ironbark has been the payment of fully franked dividends as corporate profits create the opportunity to do so. In 2020, fully franked dividends of 2.2 cents per share were paid to shareholders.

The corporate tax rate will fall to 26% for the 2020-21 tax year as per the Government's timetable for lowering of the corporate tax rate for smaller companies. Future dividends will be franked at the 26% 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 forthcoming Annual General Meeting. The buy-back is anticipated around the middle of the calendar 2021 year. Further information is provided in the Explanatory Notes to the Notice of Meeting.

Volatility will continue as the economic outlook remains uncertain while the virus remains. Going forward, a key contributor to Ironbark's ability to pay fully franked dividends will be the franked dividends from the underlying investments, whose companies have been impacted by the current economic conditions.

However, over the longer term, an absolute return and fully franked dividend focused investment portfolio continues to be a relevant offering 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 AM
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 (4th edition) published by the ASX Corporate Governance Council.

The 2020 Corporate Governance Statement is dated as at 30 June 2020 and reflects the corporate governance practices in place throughout the 2020 financial year. The 2020 Corporate Governance statement was approved by the Board on 24 August 2020.

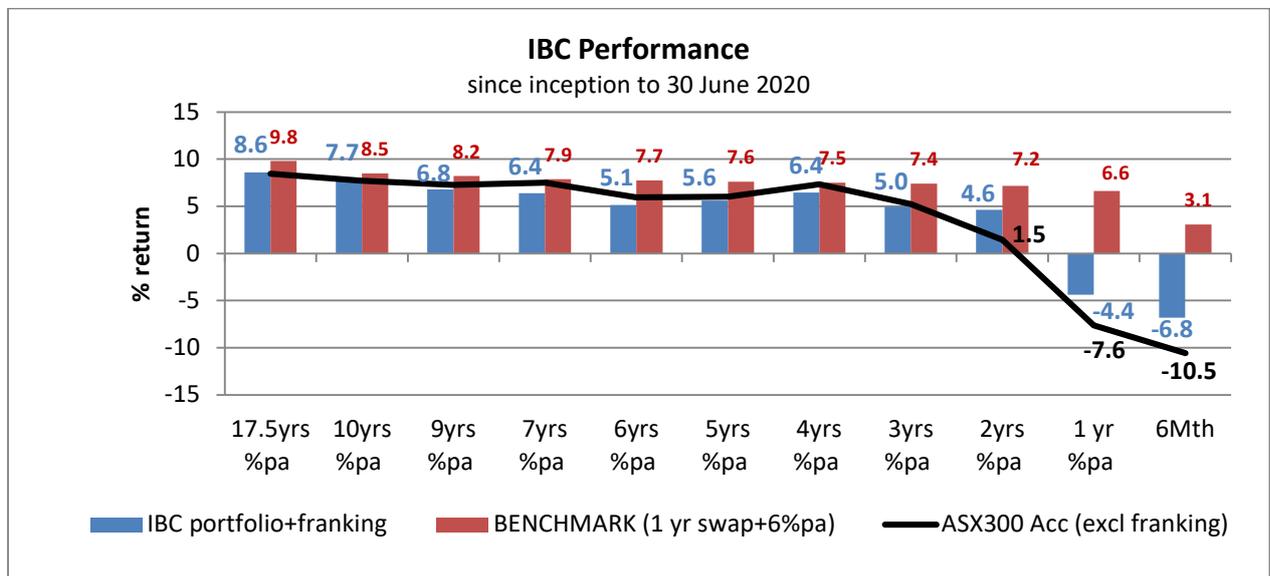
The Corporate Governance Statement can be viewed on the Company's website at www.ironbarkcapital.com/about/corporate-governance

Investment Manager Report –financial year to 30 June 2020

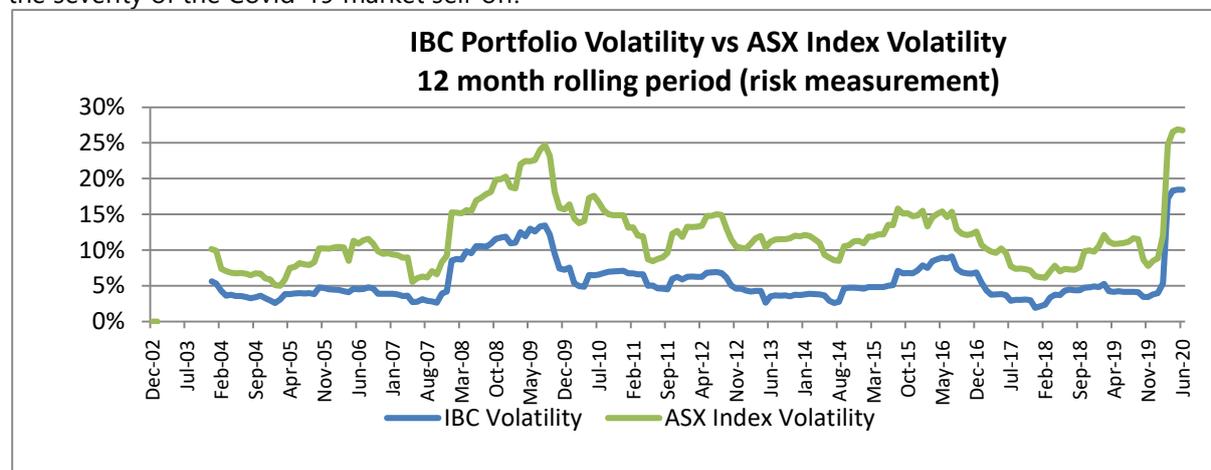
The manager’s focus is to deliver consistent returns and a high fully franked dividend yield from the portfolio. IBC’s performance benchmark is the 1-year swap rate plus 6% per annum.

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 \$490,000 (0.8% of the portfolio). The calculation of the portfolio’s current running yield of 5.6% excludes option income because realised option premiums are highly variable from year to year.

IBC recorded a portfolio return of -4.38% over the financial year underperforming its benchmark return of 6.62%. Since inception, over 17.5 years including two crisis periods (GFC & Covid-19), the portfolio achieved a return of 8.6%pa with risk measured in terms of volatility approximately 57% 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 equities market. The portfolio demonstrated defensive qualities and performed substantially better than the equities market over the last 6 months, 1 & 2 year periods. However, the absolute return benchmark was unachievable this year because of the severity of the Covid-19 market sell-off.



Portfolio

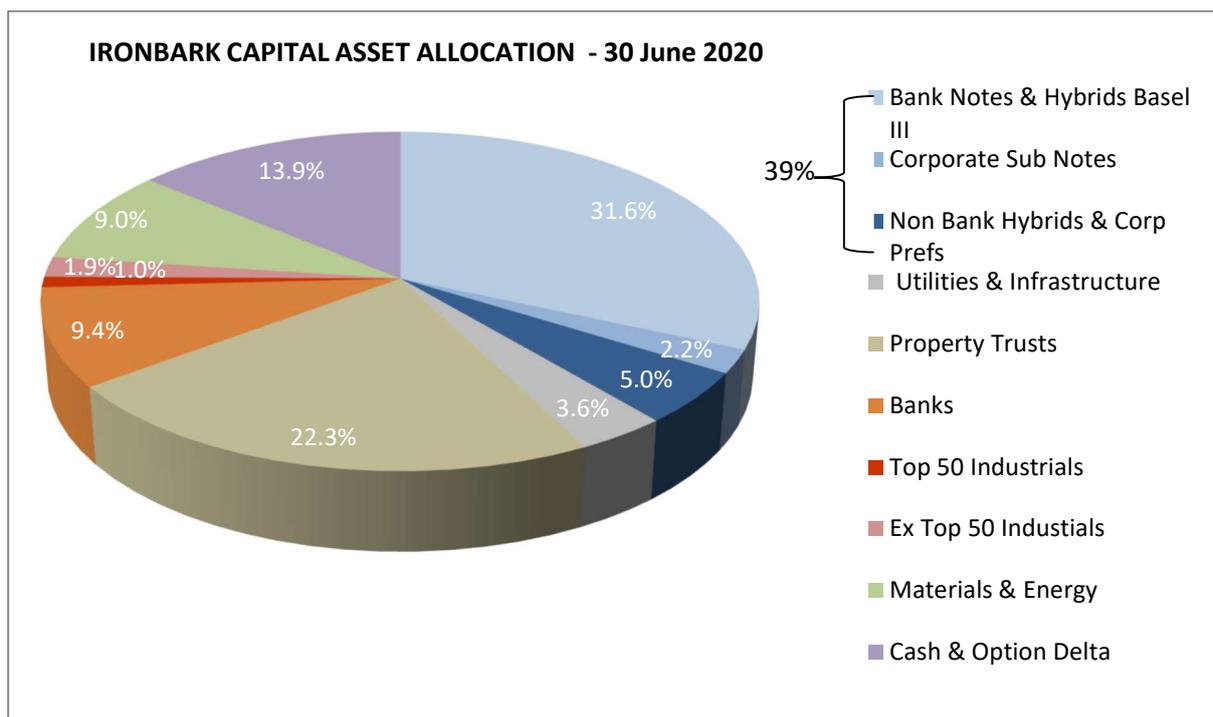
The portfolio is structured with an emphasis on income through yield orientated securities (hybrids and corporate bonds, utilities, property trusts) and buy & write positions in Banks, BHP, Telstra and other leading companies. The portfolio’s running yield was 5.6% inclusive of franking credits but excluding 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 28 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 39% of the portfolio was held in hybrids and corporate bonds and 19% in buy & writes in Banks, Telstra, Coles, Ramsay Health Care and BHP. The balance was represented by: 22.3% in property trusts, 1.9% in mid-cap and small companies, 3.6% in utilities and 13.9% held in cash & option delta.

Asset allocation reflects a cautious stance.



portfolio running yield 5.6%
(includes franking credits but excludes option premium income)

Portfolio Performance-financial year to 30 June 2020

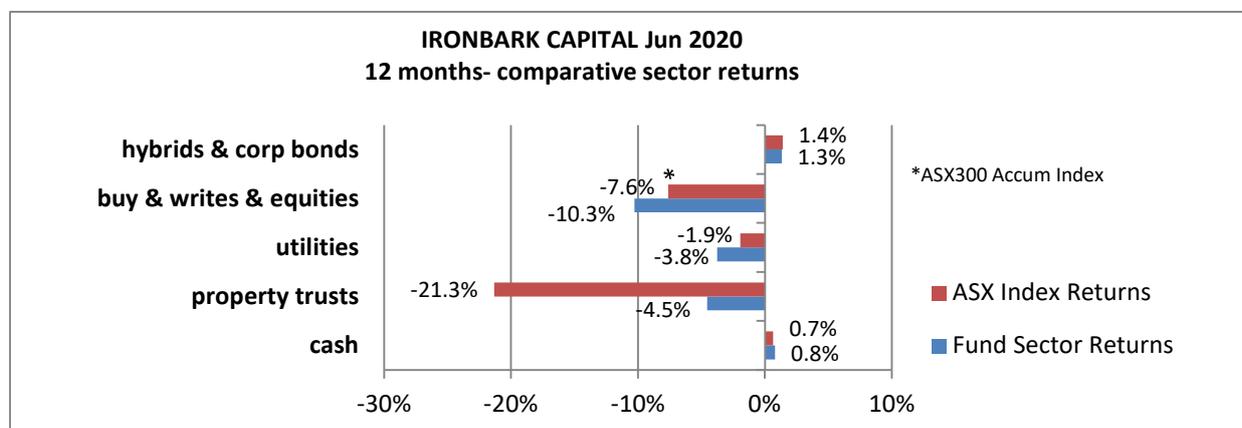
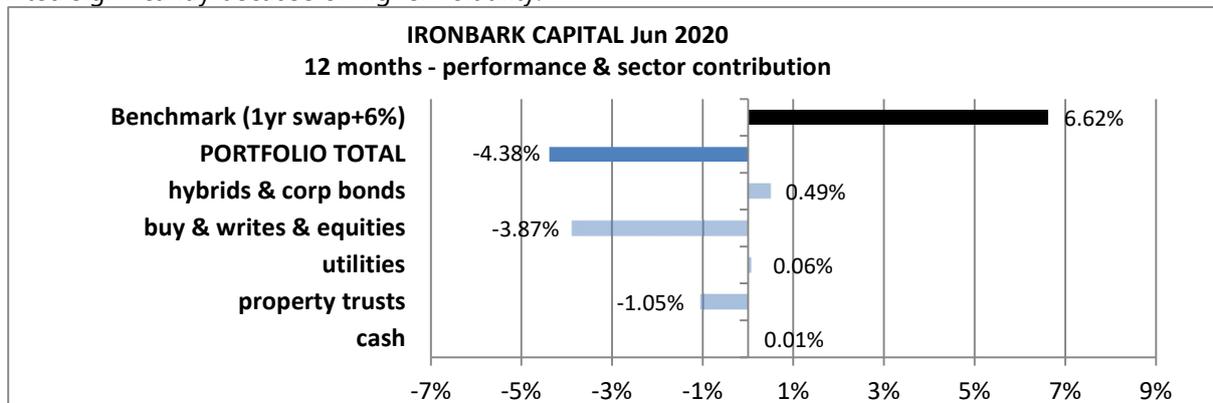
The portfolio recorded a return of -4.38% for the financial year. The 2H period to June was negatively impacted by the Covid19 market sell-off. Portfolio losses for the 2H were -6.83% compared to the ASX300 Accumulation Index fall of -10.55% in the 2H.

Hybrids representing around 40% of the portfolio gained 1.3% over the year and proved defensive. Apart from a brief liquidity induced sell off in March, hybrids regained their March losses by June and the major banks continued to preference hybrid distributions over bank dividends. Average major bank hybrid margins peaked at 8.5% in March and finished the quarter at 3.3%. APRA provided capital relief to the banking sector and bank capital raisings were a credit positive for bank hybrids. The RBA cut rates to 0.25% and introduced quantitative easing causing increased appetite for higher yield credit.

Utilities suffered losses as the regulator reset lower the allowable regulated returns for the industry. The portfolio increased its utilities exposure in the June quarter attracted to the sector's high security cashflow and high dividend yield.

The portfolio held a large position in REITS with exposure mainly to industrial, healthcare, non-discretionary retail, and long leased assets to high grade tenants. These investments proved defensive with stable cashflows and experienced losses of -4.5% compared to the broader REIT Index that fell -21.3%. The property trust sector was impacted by the mandatory code of conduct between landlords and tenants introduced by the government. An investment in Australian Unity Healthcare (unlisted) was introduced for added diversification and secure and growing cashflows from the health care industry.

Buy & writes suffered from bank exposure of around 9%. Banks felt the brunt of the Covid-19 crisis sell off (WBC -34%, ANZ -31% , NAB-28%, CBA-11%) with option premium only providing partial protection. Better performance by BHP, Telstra, Coles, and Ramsay Health Care mitigated banking losses. The manager took advantage of the spike in market volatility caused by the Covid-19 sell off to increase buy & write holdings by 4% outside of the major banks. New buy & write return parameters lifted significantly because of higher volatility.



Ironbark Capital Limited
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Portfolio Shareholdings as at 30 June 2020

ASX Code	Security	Market Value* \$'000	% of portfolio	% exposure**
Banks				
ANZ	ANZ Banking Group Limited	1,910	3.2	2.0
CBA	Commonwealth Bank of Australia Limited	3,187	5.4	3.6
NAB	National Australia Bank Limited	1,609	2.7	1.4
WBC	Westpac Banking Corporation Limited	2,810	4.8	2.3
		9,516	16.1	9.3
Hybrids & Corporate Bonds				
AMPPA	AMP Limited - Capital Notes	301	0.5	0.5
ANZPG	ANZ Banking Group Limited - Capital Notes	726	1.2	1.2
BOQPE	Bank of Queensland Limited - Capital Notes	1,901	3.2	3.2
BENPG	Bendigo & Adelaide Bank Limited - Convertible Preference Shares	765	1.3	1.3
CBAPD/PG/PI	Commonwealth Bank of Australia Limited - Capital Notes	2,468	4.2	4.2
IAGPD	Insurance Australia Group Limited - Capital Notes	2,071	3.5	3.5
MAC05	Macquarie Bank Limited - Subordinated Notes (Unlisted)	506	0.9	0.9
MBLPC	Macquarie Bank Limited - Capital Notes	626	1.1	1.1
MQGPB/PC/PD	Macquarie Group Limited - Capital Notes	2,103	3.6	3.6
NABPD/PE/PF	National Australia Bank Limited - Capital Notes	3,536	6.0	6.0
NABHA	National Australia Bank Limited - Income Securities	986	1.7	1.7
NAB1249	National Australia Bank Limited - Capital Notes (Unlisted)	494	0.8	0.8
QUBHA	Qube Holdings Limited - Subordinated Notes	1,317	2.2	2.2
RHCPA	Ramsay Healthcare Limited - Perpetual Preference Securities	581	1.0	1.0
SUNPF/PG	Suncorp Group Limited - Capital Notes	2,611	4.4	4.4
WBCPG	Westpac Banking Corporation Limited - Capital Notes	1,944	3.3	3.3
		22,936	38.9	38.9
Large Industrial				
COL	Coles Group Limited	465	0.8	0.4
RHC	Ramsay Health Care Limited	265	0.5	0.2
TLS	Telstra Corporation Limited	333	0.6	0.4
		1,063	1.9	1.0
Materials & Energy				
BHP	BHP Billiton Limited	8,089	13.8	9.0
		8,089	13.8	9.0
Property				
AOF	Australian Unity Office Fund	42	0.1	0.1
AUHW	Australian Unity Healthcare Wholesale Fund (Unlisted)	1,976	3.4	3.4
CIP	Centuria Industrial REIT	380	0.6	0.6
COF	Centuria Office REIT	860	1.5	1.5
CLW	Charter Hall Long WALE REIT	4,526	7.7	7.7
GOZ	Growthpoint Properties Australia	402	0.7	0.7
LLC	Lend Lease Group	151	0.3	0.1
PWG	Primewest Group	307	0.5	0.5
SCP	SCA Property Group	207	0.4	0.4
WPR	Waypoint REIT	4,427	7.5	7.5
		13,278	22.7	22.5
Small Industrial				
SDF	Steadfast Group Limited	1,126	1.9	1.9
		1,126	1.9	1.9
Utilities & Infrastructure				
SKI	Spark Infrastructure Group	2,138	3.6	3.6
		2,138	3.6	3.6
Cash				
		645	1.1	13.8
		58,791	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 2020.

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 AM
 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
2020					
Ordinary shares - Final	16/06/2020	1.0cps	\$1,232	26/06/2020	100
Ordinary shares – Interim	20/02/2020	1.2cps	\$1,478	12/03/2020	100
2019					
Ordinary shares - Special	17/06/2019	1.45cps	\$1,786	26/06/19	100
Ordinary shares – Final	19/03/2019	1.8cps	\$2,217	2/04/2019	100
Ordinary shares – Interim	31/08/2018	0.85cps	\$1,167	18/09/2018	100

Review of Operations

The loss from ordinary activities after income tax amounted to \$2,614,000 (2019: Profit \$5,604,000).

The net tangible asset backing before tax for each ordinary share as at 30 June 2020 amounted to \$0.492 per share (2019: \$0.545 per share). The NTA was after payment of 2.2 cents per share fully franked dividends.

Earnings per share

	2020	2019
Basic and diluted earnings per share (cents per share)	(2.12)	4.33

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

Until a suitable treatment is found, the COVID-19 pandemic will continue to impact various ASX listed companies, their market value and their dividends or distributions. This will continue to have a derivative effect on the Company which may impact dividend income and the value of its investments.

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

As stated in the Chairman's Review of Operations & Activities and in the preceding paragraph, the Company will be impacted in the 2021 financial year as companies in various sectors re-assess their approach to the payment of dividends and their share values fluctuate with the uncertainty.

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 in the current economic climate.

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 AM 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

2,152,971 shares

Ross J Finley B Comm (NSW)

Experience and expertise

Investment manager and stockbroker

Other current directorships

Director, WAM Leaders Limited

Director, Century Australia Investments Limited

Interests in shares

700,000 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

1,663,631 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 has been Company Secretary for a number of companies 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.

Meetings of directors

The numbers of meetings of the Company's Board of Directors and Audit Committee held during the year ended 30 June 2019, 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.

2020

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

2019

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:

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.

2020

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	1,300,000	852,971	2,152,971
Ross J Finley	500,000	200,000	700,000
Ian J Hunter	1,575,000	88,631	1,663,631
	3,375,000	1,141,602	4,516,602

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 2020 (2019: \$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 14.

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 AM
Director

Sydney
26 August 2020



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 2020 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

MNSA Pty Ltd

Sam Danieli
Director

Sydney
26th August 2020

Ironbark Capital Limited
ABN 89 008 108 227
Statement of Profit or Loss and
Other Comprehensive Income
For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Investment income from trading portfolio			
Revenue	6	2,758	4,015
Net (losses)/gains on trading portfolio	6	<u>(6,443)</u>	3,954
Total investment income from trading portfolio		<u>(3,685)</u>	7,969
Expenses			
Management fees	19 (b)	(265)	(281)
Performance fees	19 (b)	30	(763)
Brokerage expense		(18)	(32)
Accounting fees		(41)	(45)
Share registry fees		(28)	(37)
Custody fees		(30)	(34)
Tax fees		(13)	(12)
Directors' liability insurance		(18)	(17)
Legal fees		-	(11)
Directors' fees	19 (a)	(66)	(66)
ASX fees		(46)	(47)
Audit fees	17	(37)	(36)
Options expense		(18)	(18)
Other expenses		(29)	(28)
Total expenses		<u>(579)</u>	(1,427)
(Loss)/profit before income tax		(4,264)	6,542
Income tax benefit/(expense)	7	<u>1,650</u>	(938)
Net (loss)/profit for the year		<u>(2,614)</u>	5,604
Other comprehensive income/(loss) for the year net of tax		-	-
Total comprehensive income for the year		<u>(2,614)</u>	5,604
		Cents	Cents
Basic and diluted earnings per share	22	(2.12)	4.33

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 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	645	309
Trade and other receivables	9	296	505
Trading portfolio	10	58,146	66,225
Other assets		3	3
Total current assets		59,090	67,042
Non-current assets			
Deferred tax assets	12	2,501	1,202
Total non-current assets		2,501	1,202
Total assets		61,591	68,244
LIABILITIES			
Current liabilities			
Trade and other payables	13	71	1,048
Total current liabilities		71	1,048
Non-current liabilities			
Deferred tax liabilities	14	5	357
Total non-current liabilities		5	357
Total liabilities		76	1,405
Net assets		61,515	66,839
Equity			
Issued capital	15	67,374	67,374
Profit reserve		376	961
Accumulated losses		(6,235)	(1,496)
Total equity		61,515	66,839

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 2020

	Notes	Issued capital \$'000	Profit reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019		67,374	961	(1,496)	66,839
Loss for the year		-	-	(2,614)	(2,614)
Transfer to profit reserve		-	2,125	(2,125)	-
Total comprehensive income for the year		-	2,125	(4,739)	(2,614)
Transactions with owners in their capacity as owners:					
Dividends paid	16	-	(2,710)	-	(2,710)
Balance at 30 June 2020		67,374	376	(6,235)	61,515
Balance at 1 July 2018		74,644	527	(1,496)	73,675
Profit for the year		-	-	5,604	5,604
Transfer to profit reserve		-	5,604	(5,604)	-
Total comprehensive income for the year		-	5,604	-	5,604
Transactions with owners in their capacity as owners:					
Dividends paid	16	-	(5,170)	-	(5,170)
Buy-back of shares	15(c),(d)	(7,270)	-	-	(7,270)
Balance at 30 June 2019		67,374	961	(1,496)	66,839

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 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Interest received		124	280
Net proceeds/(purchases) of trading portfolio		1,516	9,000
Dividends and trust distributions received		2,740	3,771
Other income received		-	43
Management fees paid		(267)	(283)
Performance fees paid	19(c)	(786)	-
Other expenses paid		(281)	(376)
Net cash inflow/(outflow) from operating activities	21	3,046	12,435
Cash flows from financing activities			
Dividends paid to shareholders	16(a)	(2,710)	(5,170)
Payments for shares bought back		-	(7,270)
Net cash (outflow)/inflow from financing activities		(2,710)	(12,440)
Net (decrease)/increase in cash and cash equivalents		336	(5)
Cash and cash equivalents at beginning of financial year		309	314
Cash and cash equivalents at the end of the financial year	8	645	309
Non cash: Distribution reinvestment		43	-

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 2020. 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 26 August 2020.

(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*

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the Financial Statements of the Company:

- AASB 2019-3: *Interest Rate Benchmark Reform*

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

- AASB 2018-7: *Definition of Material*

This Standard amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

(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.

2. Significant accounting policies (continued)

(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.

(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 above.

(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.

2. Significant accounting policies (continued)

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.

(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.

2. Significant accounting policies (continued)

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.

(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.

2. Significant accounting policies (continued)

(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.

(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, including AASB 17 (Insurance Contracts) have been published that are not mandatory for 30 June 2020 reporting periods and have not yet been adopted in the financial statements. None of these are expected to have a material impact on the financial statements.

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	2020 (%)	2019 (%)
Financials	16.2	56.3
Property & Infrastructure Trusts	26.2	16.9
Materials	13.8	13.5
Subordinated notes	2.2	-
Corporate floating rate notes	36.8	6.9
Small Industrials	1.9	1.6
Telecommunications services	0.6	1.3
Utilities	-	1.3
Healthcare & biotechnology	0.4	0.9
Consumer staples	0.8	-
Corporate fixed rate bonds	-	0.8
Cash	1.1	0.5
Total	100.0	100.0

Securities representing over 5 percent of the trading portfolio at 30 June 2020 were:

	2020 (%)
BHP Billiton Limited	13.8
Charter Hall Long Wale REIT	7.7
Commonwealth Bank of Australia Limited	5.4
Waypoint REIT	7.5
	34.4

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

3. Financial risk management (continued)

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 (2019: 27.5 percent):

Index	Impact on post-tax profit			
	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Change in variable by +5%/-5% (2019: +5%/-5%)	2,108	(2,108)	2,401	(2,401)
Change in variable by +10%/-10% (2019: +10%/-10%)	4,216	(4,216)	4,801	(4,801)

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.

30 June 2020

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	645	-	-	645
Trade and other receivables	-	-	296	296
Trading portfolio	22,936	-	35,210	58,146
Other assets	-	-	3	3
	23,581	-	35,509	59,090
Financial liabilities				
Trade and other payables	-	-	(71)	(71)
	-	-	(71)	(71)
Net exposure	23,581	-	35,438	59,019

30 June 2019

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	309	-	-	309
Trade and other receivables	-	-	505	505
Trading portfolio	2,869	-	63,356	66,225
Other assets	-	-	3	3
	3,178	-	63,864	67,042
Financial liabilities				
Trade and other payables	-	-	(1,048)	(1,048)
	-	-	(1,048)	(1,048)
Net exposure	3,178	-	62,816	65,994

3. Financial risk management (continued)

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2020 is 0.3% pa (2019: 0.9% pa).

Sensitivity

At 30 June 2020, 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 \$128,220 higher/\$128,220 lower (2019: changes of 75 bps/75 bps: \$17,281 higher/\$17,281 lower).

(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 2020.

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 2020	Less than 1 month \$'000	More than 1 month \$'000
Non-derivatives		
Trade and other payables	71	-
Total non-derivatives	<u>71</u>	<u>-</u>

3. Financial risk management (continued)

At 30 June 2019	Less than 1 month \$'000	More than 1 month \$'000
Non-derivatives		
Trade and other payables	1,048	-
Total non-derivatives	1,048	-

(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 2020 and 30 June 2019:

30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trading portfolio	55,170	2,976	-	58,146
Total	55,170	2,976	-	58,146
30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trading portfolio	63,807	2,418	-	66,225
Total	63,807	2,418	-	66,225

3. Financial risk management (continued)

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 quoted market prices may reflect the economic impact of the COVID-19 pandemic on a listed company.

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

	2020 \$'000	2019 \$'000
<i>Revenue</i>		
Dividends	1,864	2,970
Interest	119	272
Distributions	775	730
Other income	-	43
	<u>2,758</u>	<u>4,015</u>
<i>Net gains/(losses) on trading portfolio</i>		
Net realised (losses)/gains on trading portfolio	(1,870)	679
Net unrealised (losses)/gains on trading portfolio	(4,573)	3,275
	<u>(6,443)</u>	<u>3,954</u>
	<u>(3,685)</u>	<u>7,969</u>

7. Income tax expense

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

	2020 \$'000	2019 \$'000
Current tax	(493)	(103)
Deferred tax	(1,157)	1,041
	(1,650)	938
 <i>Income tax (benefit) / expense is attributable to:</i>		
Profit from continuing operations	(1,650)	938

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

	2020 \$'000	2019 \$'000
Profit from continuing operations before income tax (benefit)/expense	(4,264)	6,542
Tax at the Australian rate of 27.5% (2019: 27.5%)	(1,173)	1,799
 Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	(798)	(1,327)
Imputation gross up on dividend income	219	365
Timing differences	160	224
Realised taxable investment gain/(loss)	(540)	82
Realised accounting investment (gain)/loss	514	(187)
Adjustments for current tax of prior year	(32)	(18)
Income tax (benefit)/expense	(1,650)	938

8. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank and in hand	645	309

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- (2019: AA-) by Standard & Poor's.

9. Trade and other receivables

	2020 \$'000	2019 \$'000
Dividends and distributions receivable	280	424
Interest receivable	13	18
GST Receivable	3	63
	<u>296</u>	<u>505</u>

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.

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

	2020 \$'000	2019 \$'000
Listed equities	19,794	48,967
Property and infrastructure trusts	13,440	12,097
Floating rate notes - listed	21,134	2,743
Subordinated notes- listed	802	-
Property trusts - unlisted	1,976	-
Floating rate notes - unlisted	494	1,876
Subordinated notes- unlisted	506	-
Fixed rate bonds - unlisted	-	542
	<u>58,146</u>	<u>66,225</u>

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.

11. Derivative financial instruments (continued)

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.

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

	Notional principal amounts 2020 \$'000	Notional principal amounts 2019 \$'000
Australian exchange traded options	(1,422)	(3,082)

12. Deferred tax assets

	2020 \$'000	2019 \$'000
The balance comprises temporary differences attributable to:		
Net unrealised losses of investments	797	-
Tax losses	1,653	1,150
Other temporary differences	51	52
	2,501	1,202
Movements:		
Opening balance:	1,202	1,791
Charged/credited:		
- (from)/to deferred tax liabilities	352	(707)
- to profit or loss	947	118
	2,501	1,202

13. Trade and other payables

	Notes	2020 \$'000	2019 \$'000
Management fees payable	19(c)	22	24
Performance fee payable	19(c)	-	819
Unsettled purchases		-	162
Other payables		49	43
		<u>71</u>	<u>1,048</u>

14. Deferred tax liabilities

	2020 \$'000	2019 \$'000
The balance comprises temporary differences attributable to:		
Accrued income	5	5
Unrealised gains on investments	-	352
	<u>5</u>	<u>357</u>

Movements:

Opening balance		357	7
Charged/credited	- to profit or loss	-	(357)
	- (to)/from deferred tax assets	(352)	707
		<u>5</u>	<u>357</u>

15. Issued capital

(a) Issued capital

	30 June 2020 Shares	30 June 2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares - fully paid	<u>123,166,545</u>	123,166,545	<u>67,374</u>	67,374

(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 2019	123,166,545	67,374
	-	-
Balance at 30 June 2020	<u>123,166,545</u>	<u>67,374</u>

15. Issued capital (continued)

(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

	2020 \$'000	2019 \$'000
Special dividend	-	1,786
Final dividend	1,232	2,217
Interim dividends	1,478	1,167
	<u>2,710</u>	<u>5,170</u>

(b) Dividend franking account

	2020 \$'000	2019 \$'000
Opening balance of franking account	237	871
Franking credits on dividends received	798	1,327
Franking credits on ordinary dividends paid	(1,028)	(1,961)
Closing balance of franking account	7	237
Franking credits on dividends received after year end	15	84
	<u>15</u>	<u>84</u>
	<u>22</u>	<u>321</u>

16. Dividends (continued)

(c) Dividend rate

	Record Date	Dividend Rate	Total Amount \$'000	Date of Payment	% Franked
2020					
Ordinary shares - Final	16/06/2020	1.0cps	\$1,232	26/06/2020	100
Ordinary shares – Interim	20/02/2020	1.2cps	\$1,478	12/03/2020	100
2019					
Ordinary shares - Special	17/06/2019	1.45cps	\$1,786	26/06/19	100
Ordinary shares – Final	19/03/2019	1.8cps	\$2,217	2/04/2019	100
Ordinary shares – Interim	31/08/2018	0.85cps	\$1,167	18/09/2018	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 2020 \$'000	30 June 2019 \$'000
<i>Audit and other assurance services</i>		
MNSA Pty Ltd - Audit and review of financial statements	37	36

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 2020 (2019: nil).

19. Related party transactions

(a) Key management personnel

	2020 \$'000	2019 \$'000
Short-term benefits	66	66

(b) Transactions with other related parties

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.

Under the terms of the Management Agreement, a performance fee is payable when the performance of the Company exceeds the 1 year swap rate plus 6%.

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

	2020 \$'000	2019 \$'000
Management fees paid or payable	265	281
Performance fee payable	-	763

The performance fee accrual as at 30 June 2019 was adjusted following an external review of the calculation of the performance fee. A reversal of \$30,000 (net of RITC) was posted in the current year prior to payment.

(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 2020 \$'000	30 June 2019 \$'000
Management fees payable	22	24
Performance fees payable	-	819
	22	843

The performance fee payment of \$786,000 reflects the \$33,000 adjustment inclusive of GST.

(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

The impact of the COVID-19 virus will continue to be reflected in the market prices and income of the underlying investments.

Other than noted in this report, the Directors are not aware of any matter or circumstance that 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

	2020 \$'000	2019 \$'000
(Loss)/profit for the year	(2,614)	5,604
Unrealised losses/(gains) on trading portfolio	4,574	(3,275)
Realised losses/(gains) on trading portfolio	1,870	(679)
Distribution reinvestment	(43)	-
Change in operating assets and liabilities		
Decrease in trade and other receivables	209	722
(Decrease)/Increase in trade and other payables	(816)	986
(Decrease)/Increase in tax	(1,650)	938
Decrease in trading portfolio	1,516	8,139
Net cash inflow from operating activities	<u>3,046</u>	<u>12,435</u>

22. Earnings per share

(a) Basic earnings per share

	2020 Cents	2019 Cents
From continuing operations attributable to the ordinary equity holders of the company	<u>(2.12)</u>	4.33
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>(2.12)</u>	4.33

(b) Diluted earnings per share

	2020 Cents	2019 Cents
From continuing operations attributable to the ordinary equity holders of the company	<u>(2.12)</u>	4.33
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>(2.12)</u>	4.33

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

	2020 Number	2019 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share</i>	<u>123,166,545</u>	<u>129,289,938</u>

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 15 to 36 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 2020 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 AM
Director

Sydney
26 August 2020



**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 financial report of Ironbark Capital Limited (the Company), which comprises the statement of financial position as at 30 June 2020, 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 to the financial statements, including a summary of significant accounting policies, 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 2020 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(a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, 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
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Valuation and Existence of Trading portfolio

The trading portfolio at 30 June 2020 comprised of listed, unlisted equity investments and exchange traded options of \$58 million which constitutes 94% of the Company's total assets.

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.

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 2020, to ensure they are fairly stated.

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.

We assessed the disclosure in the financial statements with reference to the requirements of accounting standards.

Consideration of Covid-19 impact on fair value at balance date and subsequent event disclosure accurately disclosed on note 3(d) Fair value measurement and note 20 Events occurring after the reporting period.

No significant issues were noted from our testing.

Revenue from Trading portfolio

Auditing Standard ASAs presume there are risks of fraud in revenue recognition unless rebutted.

We focused on the cut-off, accuracy and completeness of dividend revenue, interest, dividend receivables and interest receivables.

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.

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.

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.

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.

Consideration of Covid-19 impact on dividend receivables.

No significant issues were noted from our testing.



Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2020, 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 accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), 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 2020.

In our opinion the remuneration report of Ironbark Capital Limited for the year ended 30 June 2020, 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

Sam Danieli
Director

Sydney
26th August 2020



Shareholder Information

Stock Exchange Listing

Ironbark has 123,166,545 fully paid ordinary shares on issue held by 1,698 security holders. These are listed on the Australian Securities Exchange under ASX code: IBC.

Transaction Summary

The Company conducted 493 security transactions during the financial year. Brokerage paid during the year net of RITC claimable was \$17,991.

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 11 September 2020 there were 1,698 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	274	97,592	0.08
1,001-5,000	346	997,638	0.81
5,001-10,000	215	1,624,411	1.32
10,001-100,000	741	24,846,715	20.17
100,001 and over	122	95,600,189	77.62
Totals	1,698	123,166,545	100.00

There were 283 shareholders holding less than a marketable parcel of 1,136 ordinary shares/\$500, based on a share price of \$0.44.

Investment Management Agreement

The Investment Management Agreement with Kaplan Funds Management Pty Limited, the Investment Manager, provides for an annual Management Fee of 0.40% p.a. based on the portfolio value at the end of each month, which is charged monthly.

At the end of each financial year, the Company will determine whether a performance fee is payable, based on a rate of 15% of the outperformance of the benchmark 1 year swap rate plus 6%, adjusted for the value of franking credits received (after adjustment for the Management Fee and the applicable GST). The high water mark is reset every 3 years.

Largest twenty shareholders

The largest 20 shareholders of the Company's shares as at 11 September 2020 are listed below:

Holder Name	Ordinary Shares	
	Number Held	%
KAPLAN PARTNERS PTY LIMITED	41,838,109	33.97%
NATIONAL NOMINEES LIMITED	10,201,944	8.28%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	2,415,039	1.96%
MRS GLENDA CLAIRE ORGILL	2,374,441	1.93%
ABTOURK (SYD NO 415) PTY LTD <MICHAEL JOHN COLE PSF A/C>	2,152,971	1.75%
LIANGROVE MEDIA PTY LIMITED	1,943,456	1.58%
HPIC PTY LTD	1,697,625	1.38%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,683,469	1.37%
SUPENTIAN PTY LIMITED <HUNTER PENSION FUND A/C>	1,663,631	1.35%
BOND STREET CUSTODIANS LIMITED <MCGOL - I27406 A/C>	1,389,077	1.13%
LIANGROVE GROUP PTY LTD	1,166,081	0.95%
AGO PTY LTD <SUPERANNUATION FUND A/C>	1,122,242	0.91%
BOND STREET CUSTODIANS LIMITED <MCGOL - DR0020 A/C>	806,127	0.65%
BOND STREET CUSTODIANS LIMITED <MCGOL - AP0390 A/C>	712,982	0.58%
MR JOHN KENNETH CAMERON POTTS & MRS MARGARET HAMILTON POTTS <POTTS SUPER FUND A/C>	618,750	0.50%
BOND STREET CUSTODIANS LIMITED <MCGOL - V20404 A/C>	616,331	0.50%
BOND STREET CUSTODIANS LIMITED <MCGOL - V04537 A/C>	601,912	0.49%
DANEJON PTY LIMITED <DANEJON SUPER FUND A/C>	600,000	0.49%
WENTRADING PTY LTD <WENTRADING SUPER FUND A/C>	584,293	0.47%
MISS SAMANTHA ORGILL	577,253	0.47%
	74,765,733	60.70%

Total Securities as per Register

123,166,545

Substantial shareholders

As at 11 September 2020 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	28 Dec 2018	46,445,116	37.71%

On-market buy-back

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