



**IRONBARK** CAPITAL

ABN 89 008 108 227

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IRONBARK CAPITAL LIMITED  
APPENDIX 4E & ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2023

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# IRONBARK CAPITAL LIMITED

## Results for Announcement to the Market

### Year Ended 30 June 2023

This report is based on audited financial statements. The previous corresponding period is the year ended 30 June 2022.

|   | 2023          | 2022          |    | % Change |
|---|---------------|---------------|----|----------|
| <b>Revenue and Profit</b>                   | <b>\$'000</b> | <b>\$'000</b> |    |          |
| Investment revenue from ordinary activities | <b>7,059</b>  | 1,375         | Up | 413.4%   |
| Net profit after income tax expense         | <b>5,470</b>  | 1,353         | Up | 304.3%   |

|                    | 2023         | 2022         |    | % Change |
|--------------------|--------------|--------------|----|----------|
| <b>Earnings</b>    | <b>Cents</b> | <b>Cents</b> |    |          |
| Earnings per share | <b>4.97</b>  | 1.18         | Up | 321.2%   |

| <b>Net Tangible Asset Backing per share (NTA)</b> | <b>30-Jun-23</b> | <b>30-Jun-22</b> |    | <b>% Change</b> |
|---|------------------|------------------|----|-----------------|
| NTA before provision for tax on unrealised gains  | <b>\$ 0.567</b>  | \$ 0.535         | Up | 6.0%            |
| NTA after provision for tax on unrealised gains   | <b>\$ 0.559</b>  | \$ 0.533         | Up | 4.9%            |

The NTA is after 2.35 cents per share of fully franked dividends paid in the period and after the buy-back of 496,293 shares.

- The final fully franked dividend for the 2023 financial year is 1.25 cents per share which is to be paid on 27 September 2023 for shareholders registered as at record date of 6 September 2023. This is franked at the corporate tax rate of 25%.
- The final fully franked dividend for the 2022 financial year was 1.25 cents per share which was paid on 28 September 2022.
- The interim dividend paid to shareholders on 30 March 2023 was 1.1 cents per share, fully franked. The interim dividend for the corresponding period was 1 cent per share fully franked.
- The Dividend Reinvestment Plan remains suspended.

**Ironbark Capital Limited**  
ABN 89 008 108 227

**Annual Report**  
**For the year ended 30 June 2023**

**Ironbark Capital Limited**  
ABN 89 008 108 227

**Annual Report**  
**For the year ended 30 June 2023**

**Contents**

|   | Page |
|---|------|
| Corporate Directory                         | 1    |
| Chairman's Report                           | 2    |
| Investment Manager Report                   | 4    |
| Portfolio Shareholdings at 30 June 2023     | 7    |
| Directors' Report                           | 8    |
| Auditor's Independence Declaration          | 15   |
| Financial Statements                        | 16   |
| Directors' Declaration                      | 39   |
| Independent Auditor's Report to the Members | 40   |
| Shareholder Information                     | 45   |

|  |  |
|--|--|
| <b>Directors</b>                                     | Michael Cole AM BEc, MEd, FFin, Chairman<br>Ian Hunter BA, LLB, MBA<br>Sam Kaplan BEc, MBA, FFin<br>Neal Hornsby MIPA, MBA, DipFS(FP), CertPM                          |
| <b>Company Secretary</b>                             | Jill Brewster MBA, AGIA, ACG (CS), FIPA, FFA   |
| <b>Principal Registered Office</b>                   | Suite 607<br>180 Ocean Street<br>Edgecliff NSW 2027<br>Telephone: (02) 8917 0399   |
| <b>Share Registrar</b>                               | Boardroom Pty Limited<br>GPO Box 3993<br>Sydney NSW 2001<br>Shareholder enquiries telephone:<br>(within Australia) 1300 737 760<br>(outside Australia) +61 2 9290 9600 |
| <b>Investment Manager</b>                            | Kaplan Funds Management Pty Limited<br>Suite 607<br>180 Ocean Street<br>Edgecliff NSW 2027<br>Telephone: (02) 8917 0300  |
| <b>Accounting &amp; Administration</b>               | Kaplan Funds Management Pty Ltd<br>Suite 607, 180 Ocean Street<br>Edgecliff NSW 2027<br>Telephone: (02) 8917 0399<br>Fax: (02) 8917 0355                               |
| <b>Auditors</b>                                      | MNSA Pty Ltd<br>Level 1<br>283 George Street<br>Sydney NSW 2000  |
| <b>Website</b>                                       | <a href="http://www.ironbarkcapital.com">www.ironbarkcapital.com</a>   |
| <b>Company Secretarial &amp; all other enquiries</b> | Telephone: (02) 8917 0399<br>Email: <a href="mailto:enquiries@ironbarkcapital.com">enquiries@ironbarkcapital.com</a>   |
| <b>Stock Exchange</b>                                | Australian Securities Exchange<br>ASX code: IBC  |

## Chairman's Report

The 2023 financial year saw impressive results from Ironbark in a strong equity market despite the inflationary pressures in Australia and globally.

### Investment Performance

For the year to 30 June 2023, the Ironbark portfolio returned 13.7% inclusive of franking credits, outperforming the Benchmark (1 year swap + 6%p.a.) by 3.9%. This was a very positive result with performance achieved with a portfolio that has a lower volatility than the market. The performance over 3 years of 11.3%p.a. and over 7 years of 8.5%p.a. inclusive of franking credits, exceeds their benchmark returns by 3.7% and 1.0% respectively, and has been achieved in disruptive and uncertain economic times. The portfolio return over 20 years since inception is a very satisfactory 9.0%p.a.

The Ironbark performance reflects the Investment Manager's absolute return focus and income emphasis including the writing of call options. The Investment Manager's report by Kaplan Funds Management (KFM) which follows the Chairman's Report, sets out in detail the investment experience in this 2023 financial year.

### Results for the Financial Year

The profit after tax of \$5.5 million was up 304.3% from the \$1.4 million achieved in the previous corresponding year.

Investment revenue from ordinary activities of \$7.1 million was up 413.4% on the prior year result. A key component of the result is the change in fair value for the year of the underlying investments, which results in the fluctuation in profit results in any year. The unrealised gains of \$2.2m represented the improvement in valuations for the year reflecting the strength in domestic and global equity markets and was a key contributor to the good year end result. Realised gains for the year were \$1.7 million, predominantly from sales in the materials, financial services and property trust sectors, and option income from the writing of call options.

Interest income increased by 275% reflecting the significant rise in interest rates and the addition to the portfolio of unlisted subordinated notes during the financial year. The decrease in dividend income reflects the change from the prior year's record payout by BHP with the associated in-specie dividend of Woodside Energy.

NTA per share after provision for tax on unrealised gains was \$0.559, up 4.9% compared to the previous period. The NTA is after payment of fully franked dividends of 2.35 cents per share.

Since the end of the financial year, the Directors have declared a fully franked dividend of 1.25 cents per share to be paid on 27 September 2023.

### Capital Management

In accordance with the Company's announcement at the start of the financial year of an on-market share buy-back for up to 10% of the Company's shares over 12 months, the program was activated, and 496,293 shares were bought back in the period to 30 June 2023.

In accordance with the Company's capital management program, the program has been extended for a further 12 months until 19 July 2024. This provides the mechanism for the Company to buy back its shares during prolonged periods of share price volatility when there is a significant discount to underlying NTA.

### **Dividend Outlook**

The Corporate earnings of the underlying investments and the associated fully franked dividends received allowed the Company to pay fully franked dividends in the 2023 financial year of 2.35 cents per share, and subsequent to year end declare a 1.25 cents per share fully franked dividend payable in September 2023. The Hybrid portfolio will continue to benefit from the high interest rates in the near term.

### **The Year Ahead**

The year ahead will see the economic impact of inflation and the sharp interest rate rises on companies and consumers. Whilst the conditions in the short to medium term may result in uncertain and challenging times, the Ironbark portfolio remains well positioned to deliver fully franked dividends and satisfactory returns within an acceptable risk profile.

**Michael J Cole AM**  
**Chairman**

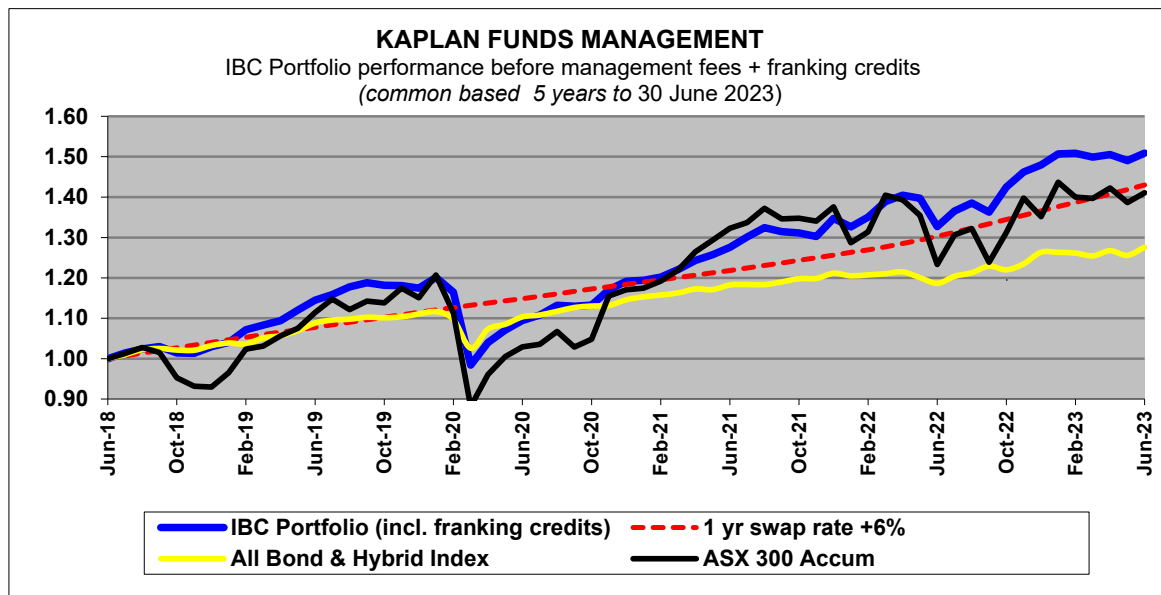
## Investment Manager Report – financial year to 30 June 2023

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 year, realised option premium income was around \$1.23m (2% of the portfolio). The calculation of the portfolio’s current running yield of 7.4% excludes option income because realised option premiums are highly variable from year to year.

IBC recorded a pleasing portfolio return of 13.7% over the financial year, outperforming its benchmark return of 9.7% (1 year swap rate +6%pa). The ASX 300 Accumulation Index gained 14.4% over the year. Since inception, over 20 years including two crisis periods (GFC & Covid-19) the portfolio achieved a return of 9.0%pa with 53% of equity market risk measured in terms of volatility.

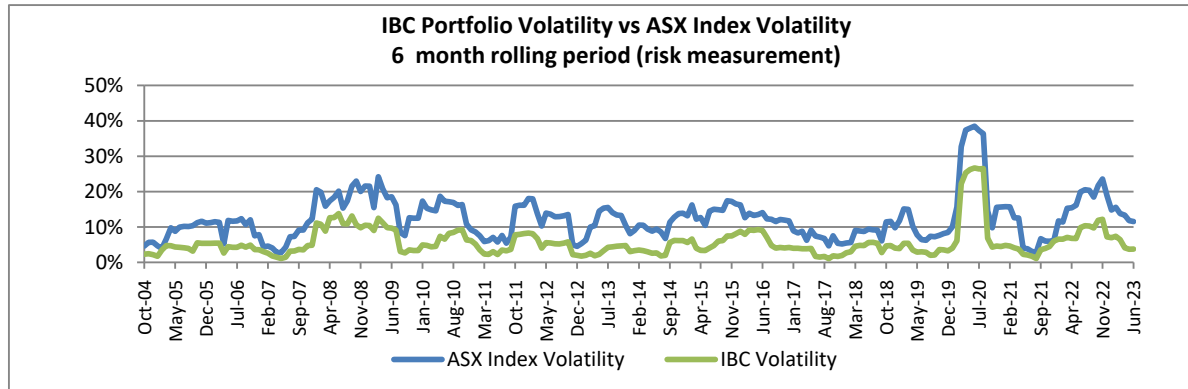
| PERFORMANCE TO 30/6/23<br>FUM \$61.1m | Inception<br>20.4 yrs % pa | 10 Yr<br>% pa | 5 Yr<br>% pa | 3 Yr<br>% pa | 2 Yr<br>% pa | 1 Yr<br>% pa |
|---------------------------------------|----------------------------|---------------|--------------|--------------|--------------|--------------|
| IBC pre fees plus franking            | 9.03                       | 7.84          | 8.58         | 11.30        | 8.77         | 13.70        |
| 1 yr swap +6%                         | 9.50                       | 7.77          | 7.42         | 7.58         | 8.34         | 9.77         |
| Relative performance                  | -0.48                      | 0.07          | 1.16         | 3.72         | 0.43         | 3.93         |
|                                       |                            |               |              |              |              |              |
| volatility IBC                        | 7.2                        | 7.6           | 9.5          | 6.1          | 7.1          | 6.1          |
| volatility ASX300                     | 13.7                       | 13.9          | 16.5         | 13.8         | 14.8         | 15.0         |
|                                       |                            |               |              |              |              |              |
| ASX 300 Accum                         | 8.87                       | 8.55          | 7.12         | 11.07        | 3.27         | 14.40        |
| Vol relative to ASX                   | 53%                        | 55%           | 58%          | 44%          | 48%          | 41%          |



IBC’s focus on income generation and capital preservation from a balanced portfolio structure has delivered very good risk adjusted returns compared to the equities market. Over the year, elevated



volatility benefited the portfolio's buy & write strategy and aggressive interest rate hikes supported good returns from floating rate hybrids and corporate bonds.



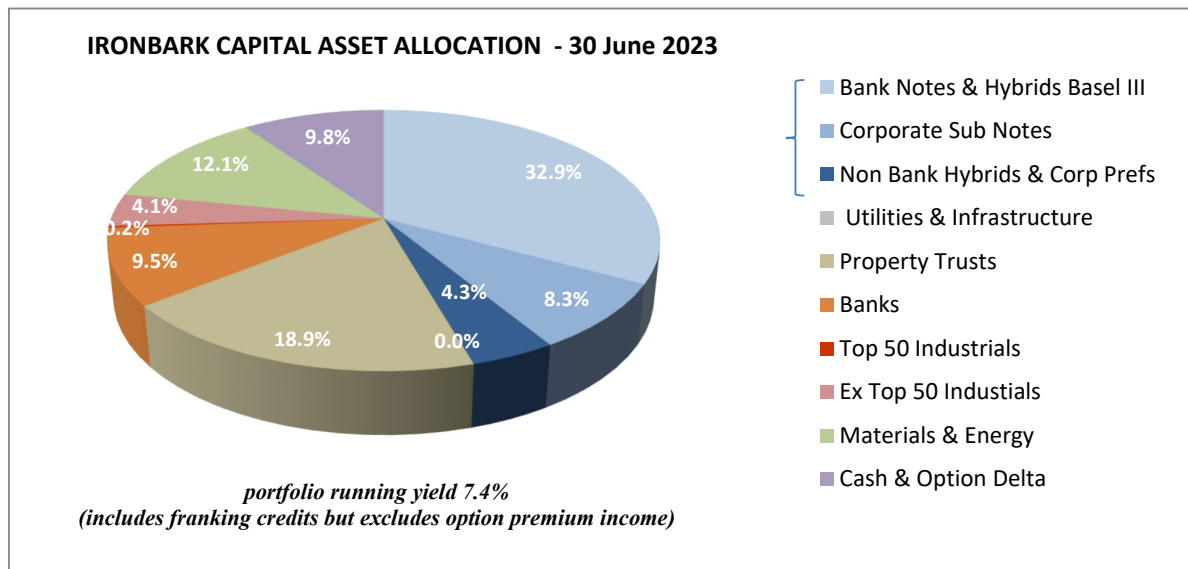
**Portfolio**

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 leading companies. The portfolio's running yield was 7.4% 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 23 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 45.5% of the portfolio was held in hybrids and corporate bonds and 28% in buy & write physical exposures (19.3% net of delta) in Banks, BHP and Woodside. The balance was represented by 19% in property trusts, 4% in mid-small industrial companies, 2.4% in small resources and 9.8% held in cash & option delta.



**Portfolio Performance-financial year to 30 June 2023**

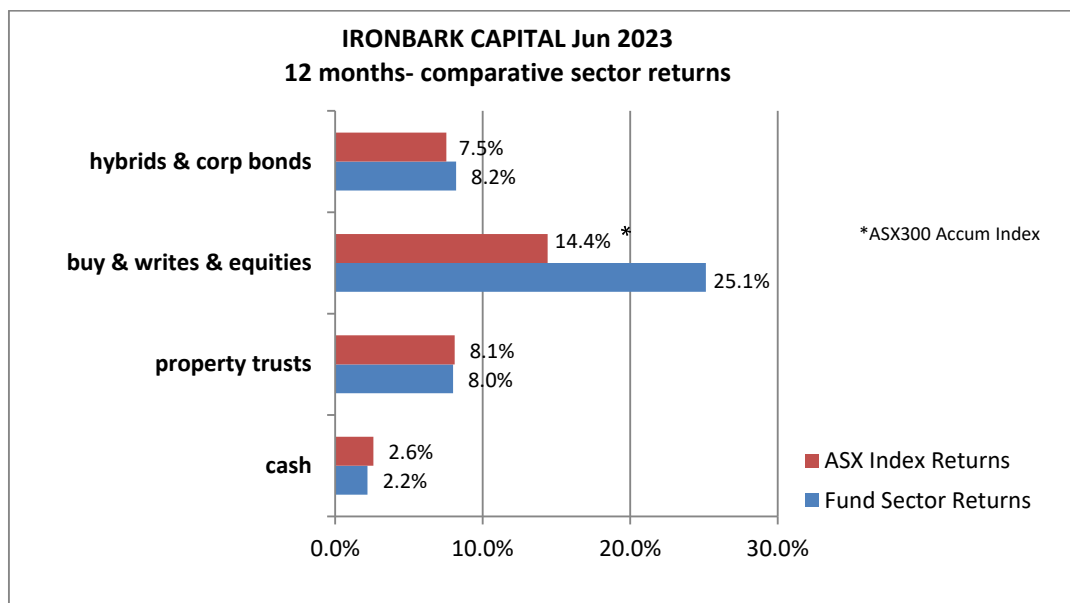
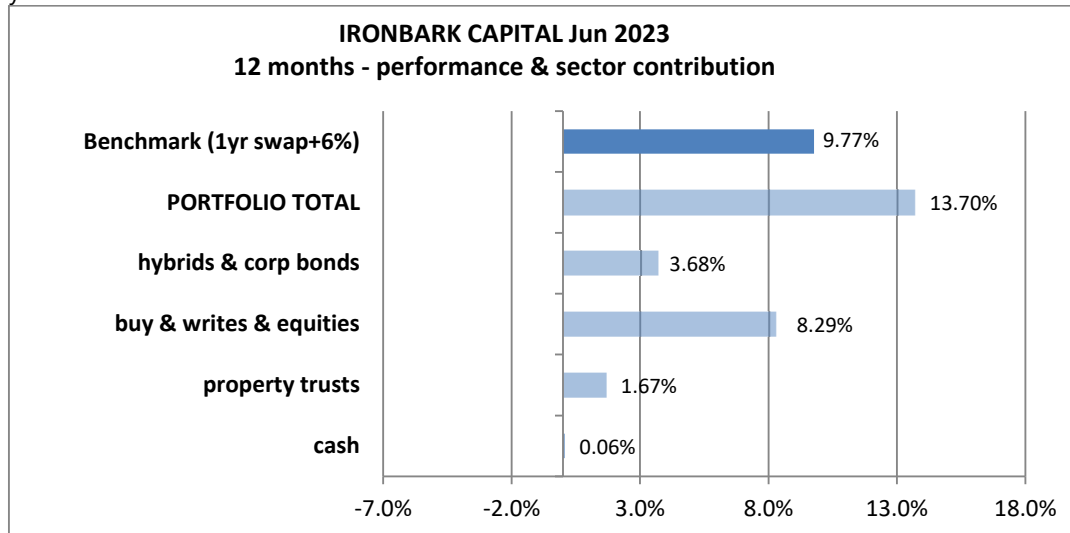
The portfolio recorded a good return of 13.7% for the financial year period.

The main change to the portfolio over the year involved increased exposure to wholesale unlisted fixed interest from 14% to 23% of the portfolio. The narrowing of trading margins between listed hybrid securities and unlisted subordinated debt made the latter more attractive from a risk/return perspective without loss of liquidity. The portfolio participated in primary issuance in CBA, ANZ, and QBE subordinated notes.

Hybrid and corporate bonds returned 8.2% supported by a strong rise in floating rate distribution yields with the 90 day bank bill reference rate increasing from 1.81% to 4.35% over the year.

Buy & writes returns of 25% benefited from a tilt towards resources and high option premiums from elevated volatility. Option writing contributed 1.9% (realised and unrealised profits) to the total portfolio return over the year.

Property trust holdings returned 8% rebounding from the aggressive sell off experienced in June last year.



**Ironbark Capital Limited**  
**ABN 89 008 108 227**  
**Portfolio Shareholdings as at 30 June 2023**

| ASX Code                              | Security   | Market Value*<br>\$'000 | % of portfolio | % exposure** |
|---------------------------------------|--|-------------------------|----------------|--------------|
| <b>Banks</b>                          |  |                         |                |              |
| ANZ                                   | ANZ Banking Group Limited  | 2,912                   | 4.8            | 3.0          |
| CBA                                   | Commonwealth Bank of Australia Limited                               | 2,804                   | 4.6            | 2.3          |
| WBC                                   | Westpac Banking Corporation Limited                                  | 2,927                   | 4.8            | 3.8          |
|                                       |  | <b>8,643</b>            | <b>14.2</b>    | <b>9.1</b>   |
| <b>Hybrids &amp; Corporate Bonds</b>  |  |                         |                |              |
| ALD26/27                              | Ampol Limited - Subordinated Notes (Unlisted)                        | 2,279                   | 3.7            | 3.7          |
| ANZPI/P/JP/K                          | ANZ Banking Group Limited - Capital Notes                            | 862                     | 1.4            | 1.4          |
| ANZ29                                 | ANZ Banking Group Limited - Subordinated Notes (Unlisted)            | 1,015                   | 1.7            | 1.7          |
| AUS1080                               | AusNet Services Limited - Subordinated Notes (Unlisted)              | 1,001                   | 1.6            | 1.6          |
| AYUPA                                 | Australian Unity Limited - Fixed Mutual Capital Instrument           | 1,007                   | 1.7            | 1.7          |
| BOQPE/PF                              | Bank of Queensland Limited - Capital Notes                           | 596                     | 1.0            | 1.0          |
| CBA03/04/11                           | Commonwealth Bank of Australia Limited -Subordinated Notes(Unlisted) | 6,141                   | 10.1           | 10.1         |
| CBAPI/PM                              | Commonwealth Bank of Australia Limited - Capital Notes               | 1,007                   | 1.7            | 1.7          |
| IAGPE                                 | Insurance Australia Group Limited - Capital Notes                    | 819                     | 1.3            | 1.3          |
| MAC05/06                              | Macquarie Bank Limited - Subordinated Notes (Unlisted)               | 1,021                   | 1.7            | 1.7          |
| MBLPC                                 | Macquarie Bank Limited - Capital Notes                               | 633                     | 1.0            | 1.0          |
| MQGPC/PD/PF                           | Macquarie Group Limited - Capital Notes                              | 1,724                   | 2.8            | 2.8          |
| NABPF/PH/PI                           | National Australia Bank Limited - Capital Notes                      | 1,763                   | 2.9            | 2.9          |
| NAB25                                 | National Australia Bank Limited - Capital Notes (Unlisted)           | 511                     | 0.8            | 0.8          |
| NAB29                                 | National Australia Bank Limited - Fixed Capital Notes (Unlisted)     | 421                     | 0.7            | 0.7          |
| NAB27                                 | National Australia Bank Limited - Subordinated Notes (Unlisted)      | 519                     | 0.9            | 0.9          |
| QBE39                                 | QBE Insurance Group Limited - Subordinated Notes (Unlisted)          | 505                     | 0.8            | 0.8          |
| QUBHA                                 | Qube Holdings Limited - Subordinated Notes                           | 1,308                   | 2.2            | 2.2          |
| RHCPA                                 | Ramsay Healthcare Limited - Perpetual Preference Securities          | 795                     | 1.3            | 1.3          |
| SUNPG/PI                              | Suncorp Group Limited - Capital Notes                                | 2,140                   | 3.5            | 3.5          |
| SUN06                                 | Suncorp Group Limited - Subordinated Notes (Unlisted)                | 502                     | 0.8            | 0.8          |
| WBCPK                                 | Westpac Banking Corporation Limited - Capital Notes                  | 1,251                   | 2.1            | 2.1          |
|                                       |  | <b>27,820</b>           | <b>45.7</b>    | <b>45.7</b>  |
| <b>Materials &amp; Energy</b>         |  |                         |                |              |
| BHP                                   | BHP Billiton Limited   | 6,754                   | 11.1           | 7.8          |
| SMR                                   | Stanmore Resources Limited   | 1,483                   | 2.4            | 2.4          |
| WDS                                   | Woodside Energy Group Limited  | 1,265                   | 2.1            | 1.6          |
|                                       |  | <b>9,502</b>            | <b>15.6</b>    | <b>11.8</b>  |
| <b>Property</b>                       |  |                         |                |              |
| AUHW                                  | Australian Unity Healthcare Wholesale Fund (Unlisted)                | 3,504                   | 5.8            | 5.8          |
| CIP                                   | Centuria Industrial REIT   | 88                      | 0.1            | 0.1          |
| CLW                                   | Charter Hall Long WALE REIT  | 3,812                   | 6.3            | 6.3          |
| WPR                                   | Waypoint REIT  | 4,113                   | 6.8            | 6.8          |
|                                       |  | <b>11,517</b>           | <b>19.0</b>    | <b>19.0</b>  |
| <b>Financial Services</b>             |  |                         |                |              |
| SDF                                   | Steadfast Group Limited  | 2,340                   | 3.9            | 3.9          |
|                                       |  | <b>2,340</b>            | <b>3.9</b>     | <b>3.9</b>   |
| <b>Communication Services</b>         |  |                         |                |              |
| TLS                                   | Telstra Group Limited  | 210                     | 0.3            | 0.2          |
|                                       |  | <b>210</b>              | <b>0.3</b>     | <b>0.2</b>   |
| <b>Utilities &amp; Infrastructure</b> |  |                         |                |              |
| D20                                   | Duxton Water Limited   | 138                     | 0.2            | 0.2          |
|                                       |  | <b>138</b>              | <b>0.2</b>     | <b>0.2</b>   |
| <b>Cash</b>                           |  |                         |                |              |
|                                       |  | <b>647</b>              | <b>1.1</b>     | <b>10.1</b>  |
|                                       |  | <b>60,817</b>           | <b>100.0</b>   | <b>100.0</b> |

\*Includes market value of options written against holdings

\*\*Includes option delta written against holdings

## **Directors' Report**

The Directors present their report on the Company for the year ended 30 June 2023.

### **Directors**

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

Michael Cole AM  
Neal Hornsby (appointed 1 August 2023)  
Ian Hunter  
Sam Kaplan

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

### **Principal activities**

The principal activity of the Company is the investment in securities listed on the Australian Securities Exchange. The primary focus emanating from this activity is the payment of fully franked dividends and the preservation of capital.

### **Review of Operations**

The profit from ordinary activities after income tax amounted to \$5.47 million (2022: Profit \$1.35 million). The profit reflects the positive return of the investment portfolio of 13.7% for the year inclusive of franking credits, compared to the Benchmark (1 year swap + 6%p.a.) of 9.8%, a very satisfactory result.

A key component of the result is the change in fair value for the year of the underlying investments, which results in the fluctuation in profit results in any year. The unrealised gains of \$2.2m represented the improvement in valuations for the year reflecting the strength in domestic and global equity markets and was a key contributor to the good year end result. Realised gains for the year were \$1.7 million, predominantly from sales in the materials, financial services and property trust sectors, and gains from the trading of call options.

Interest income increased by 275% reflecting the significant rise in interest rates and the addition to the portfolio of unlisted subordinated notes during the financial year. The decrease in dividend income reflects the change from the prior year's record payout by BHP with the associated in-specie dividend of Woodside Energy.

NTA per share after provision for tax on unrealised gains was \$0.559, up 4.9% compared to the previous period. The NTA is after payment of fully franked dividends of 2.35 cents per share.

In accordance with the Company's announcement at the start of the financial year of an on-market share buy-back for up to 10% of the Company's shares over 12 months, the program was activated, and 496,293 shares were bought back in the period to 30 June 2023.

In accordance with the Company's capital management program, the program has been extended for a further 12 months until 19 July 2024. This provides the mechanism for the Company to buy back its shares during prolonged periods of share price volatility when there is a significant discount to underlying NTA.

## Dividends

Subsequent to year end, the Directors declared a final fully franked dividend of 1.25 cents per share with record date of 6 September 2023 and payable on 27 September 2023.

The following dividends paid to members during the financial year were fully franked at the corporate tax rate of 25%:

|                              | <b>Record Date</b> | <b>Dividend Rate</b> | <b>Total Amount \$'000</b> | <b>Date of Payment</b> | <b>% Franked</b> |
|------------------------------|--------------------|----------------------|----------------------------|------------------------|------------------|
| <b>2023</b>                  |                    |                      |                            |                        |                  |
| Ordinary shares - Interim    | 07/03/2023         | 1.1cps               | \$1,211                    | 30/03/2023             | 100              |
| Ordinary shares - 2022 Final | 02/09/2022         | 1.25cps              | \$1,377                    | 28/09/2022             | 100              |

## 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 subject to the current economic climate.

## Environmental regulation

The Company is not subject to any significant environmental regulation under Commonwealth or State law.

## Information on directors

**Michael Cole AM** B Ec, M Ec, F Fin Chairman - Non-Executive Independent Director

### *Experience and expertise*

Investment manager and investment banker

### *Former directorships in last 3 years*

Chairman of Platinum Asset Management Limited.

### *Interests in shares*

500,000 shares

**Information on directors (continued)**

**Ian Hunter** BA, LLB, MBA Chairman, Audit Committee - Non-Executive Independent Director

***Experience and expertise***

Banking and finance

***Other current directorships***

Director, Platinum Asia Investments Limited

Director, Platinum Capital Limited

***Interests in shares***

250,000 shares

**Sam Kaplan** B Ec, MBA, F Fin Non-Executive Non-Independent Director

***Experience and expertise***

Funds management and capital management

***Other current directorships***

Deputy Chairman, Qube Holdings Limited

***Interests in shares***

Details of Sam Kaplan's interests in shares of the Company included later in this report.

**Neal Hornsby** MIPA, MBA, DipFS(FP), CertPM, Non-Executive Independent Director  
(appointed 1 August 2023)

***Experience and expertise***

Financial services, risk management & compliance

***Other current directorships***

Director, AVALONfs Pty Ltd

Director, PacReef Asset Management Pty Ltd

***Interests in shares***

30,000 shares

**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 and holds an MBA and accounting qualifications.

### Meetings of directors

The numbers of meetings of the Company's Board of Directors and Audit Committee held during the year ended 30 June 2023, and the numbers of meetings attended by each Director were:

|              | Board meetings |   | Audit Committee |   |
|--------------|----------------|---|-----------------|---|
|              | A              | B | A               | B |
| Michael Cole | 4              | 4 | 2               | 2 |
| Ian Hunter   | 4              | 4 | 2               | 2 |
| Sam Kaplan   | 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 currently consists of Mr Ian Hunter, Mr Michael Cole, Mr Sam Kaplan and Mr Neal Hornsby. 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**

This report details the nature and amount paid to each Director of the Company during the financial year.

**(i) Remuneration of Directors**

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

**2023**

| Name      | Directors fees<br>\$ | Superannuation<br>\$ | Total<br>\$   |
|-----------|----------------------|----------------------|---------------|
| MJ Cole   | 22,000               | -                    | 22,000        |
| IJ Hunter | 22,000               | -                    | 22,000        |
| S Kaplan  | 5,000                | -                    | 5,000         |
|           | <b>49,000</b>        | -                    | <b>49,000</b> |

**2022**

| Name                            | Directors fees<br>\$ | Superannuation<br>\$ | Total<br>\$   |
|---------------------------------|----------------------|----------------------|---------------|
| MJ Cole                         | 22,000               | -                    | 22,000        |
| RJ Finley (resigned 15/12/2021) | 11,000               | -                    | 11,000        |
| IJ Hunter                       | 22,000               | -                    | 22,000        |
| S Kaplan (appointed 15/12/2021) | 2,708                | -                    | 2,708         |
|                                 | <b>57,708</b>        | -                    | <b>57,708</b> |

The Board may determine the remuneration of Directors within the maximum amount approved by shareholders. The maximum remuneration approved was \$22,000 each per annum.

Accounting and company secretarial duties are outsourced to Kaplan Funds Management Pty Limited. Kaplan Funds Management Pty Limited is remunerated for services rendered pursuant to an Administrative Services Agreement effective 1 April 2014.

**(ii) Remuneration of Director Related Entities**

The Company has an Investment Management Agreement and an Administrative Agreement with Kaplan Funds Management Pty Ltd, the Investment Manager, 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. Sam Kaplan is Managing Director of Kaplan Funds Management Pty Limited,

An entity associated with Sam Kaplan, Kaplan Partners Pty Limited, holds 100% of the shares of Kaplan Funds Management Pty Limited.

For the year ended 30 June 2023 the management fee (net of RITC) was \$248,932 (2022: \$257,521). The administrative fee for accounting and secretarial services (net of RITC) was \$54,294 (2022: \$56,047).

Under the terms of the Investment Management Agreement, a performance fee of 15% is payable for outperformance of the investment portfolio above the benchmark of 1 year swap rate plus 6%. The manager's performance is adjusted to include the value of franking credits received or accrued during a measurement period and after deduction of Management Fees and any applicable GST. As at 30 June 2023 the performance fee is negative 0.1% below the high water mark and there was no performance fee payable. (2022: Nil)



**(iii) Equity instruments of Directors and related parties**

As at the date of this report, the relevant interest in the shares of the Company of each director and as notified to the ASX is as follows:

2023

| Name                   | Balance at<br>the start of<br>the year | Net movement | Balance at<br>the end of<br>the year |
|------------------------|--|--------------|--------------------------------------|
| <b>Ordinary shares</b> |  |              |                                      |
| Michael Cole           | 450,000                                | 50,000       | 500,000                              |
| Ian Hunter             | 250,000                                | -            | 250,000                              |
| Sam Kaplan*            | 47,206,340                             | -            | 47,206,340                           |
| Neal Homsby**          | -                                      | 30,000       | 30,000                               |
|                        | 47,906,340                             | 80,000       | 47,986,340                           |

\*Includes shares in which Mr Kaplan has only deemed relevant interest under the Corporations Act 2001 from which Mr Kaplan may receive no economic benefit.

\*\*Appointed 1 August 2023

**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. The Company was not party to any such proceedings during the year.

**Non-audit services**

There were no non-audit services provided by the auditors during the year ended 30 June 2023.

**Corporate Governance Statement**

The Company's Corporate Governance Statement for the year ended 30 June 2023 is found on the Company's website <https://ironbarkcapital.com/about/corporate-governance/>

**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. Amounts in this 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.

A handwritten signature in black ink, appearing to read "Michael Cole". The signature is fluid and cursive, with the first name "Michael" being larger and more prominent than the last name "Cole".

Michael J Cole AM  
Director

Sydney  
24 August 2023



**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF  
THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF IRONBARK CAPITAL LIMITED  
ABN 89 008 108 227**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Ironbark Capital Limited.

As the auditor for the audit of the financial report of Ironbark Capital Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

MNSA PTY LTD

**MNSA Pty Ltd**

**Mark Schiliro**  
Director

Sydney

Dated this 24<sup>th</sup> August 2023

MNSA

**Ironbark Capital Limited**  
**ABN 89 008 108 227**  
**Statement of Profit or Loss and**  
**Other Comprehensive Income**  
**For the year ended 30 June 2023**

|   | Notes  | 2023<br>\$'000 | 2022<br>\$'000 |
|---|--------|----------------|----------------|
| <b>Investment income from trading portfolio</b>           |        |                |                |
| Revenue   | 6      | 3,245          | 3,814          |
| Net gains/(losses) on trading portfolio                   | 6      | 3,814          | (2,439)        |
| <b>Total investment income from trading portfolio</b>     |        | <u>7,059</u>   | <u>1,375</u>   |
| <b>Expenses</b>   |        |                |                |
| Management fees   | 19 (b) | (249)          | (258)          |
| Brokerage expense   |        | (20)           | (39)           |
| Accounting fees   |        | (54)           | (56)           |
| Share registry fees                                       |        | (30)           | (27)           |
| Custody fees  |        | (29)           | (29)           |
| Tax fees  |        | (14)           | (12)           |
| Directors' liability insurance                            |        | (37)           | (34)           |
| Legal fees  |        | (8)            | (7)            |
| Directors' fees   | 19 (a) | (49)           | (58)           |
| ASX fees  |        | (45)           | (47)           |
| Audit fees  | 17     | (40)           | (38)           |
| Options expense   |        | (12)           | (13)           |
| Other expenses  |        | (22)           | (44)           |
| <b>Total expenses</b>                                     |        | <u>(609)</u>   | <u>(662)</u>   |
| <b>Profit before income tax</b>                           |        | <b>6,450</b>   | 713            |
| Income tax(expense)/benefit                               | 7      | (980)          | 640            |
| <b>Net profit for the year</b>                            |        | <u>5,470</u>   | 1,353          |
| Other comprehensive income/(loss) for the year net of tax |        | -              | -              |
| <b>Total comprehensive income for the year</b>            |        | <u>5,470</u>   | 1,353          |
|   |        | <b>Cents</b>   | <b>Cents</b>   |
| Basic and diluted earnings per share                      | 22     | 4.97           | 1.18           |

*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 2023**

|                                      | Notes | 2023<br>\$'000 | 2022<br>\$'000 |
|--------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                        |       |                |                |
| <b>Current assets</b>                |       |                |                |
| Cash and cash equivalents            | 8     | 647            | 1,299          |
| Trade and other receivables          | 9     | 285            | 264            |
| Trading portfolio                    | 10    | 60,170         | 56,148         |
| Other assets                         |       | 6              | 6              |
| <b>Total current assets</b>          |       | <b>61,108</b>  | <b>57,717</b>  |
| <b>Non-current assets</b>            |       |                |                |
| Deferred tax assets                  | 12    | 1,563          | 2,064          |
| <b>Total non-current assets</b>      |       | <b>1,563</b>   | <b>2,064</b>   |
| <b>Total assets</b>                  |       | <b>62,671</b>  | <b>59,781</b>  |
| <b>LIABILITIES</b>                   |       |                |                |
| <b>Current liabilities</b>           |       |                |                |
| Trade and other payables             | 13    | 65             | 310            |
| Current tax liabilities              |       | 317            | 501            |
| <b>Total current liabilities</b>     |       | <b>382</b>     | <b>811</b>     |
| <b>Non-current liabilities</b>       |       |                |                |
| Deferred tax liabilities             | 14    | 875            | 213            |
| <b>Total non-current liabilities</b> |       | <b>875</b>     | <b>213</b>     |
| <b>Total liabilities</b>             |       | <b>1,257</b>   | <b>1,024</b>   |
| <b>Net assets</b>                    |       | <b>61,414</b>  | <b>58,757</b>  |
| <b>Equity</b>                        |       |                |                |
| Issued capital                       | 15    | 60,250         | 60,475         |
| Profit reserve                       |       | 9,751          | 6,869          |
| Accumulated losses                   |       | (8,587)        | (8,587)        |
| <b>Total equity</b>                  |       | <b>61,414</b>  | <b>58,757</b>  |

*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 2023**

| Notes  | Issued<br>capital<br>\$'000 | Profit<br>reserve<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>equity<br>\$'000 |
|--|-----------------------------|-----------------------------|---------------------------------|---------------------------|
| <b>Balance at 1 July 2022</b>                                | <b>60,475</b>               | <b>6,869</b>                | <b>(8,587)</b>                  | <b>58,757</b>             |
| Profit for the year  | -                           | -                           | 5,470                           | 5,470                     |
| Transfer to profit reserve                                   | -                           | 5,470                       | (5,470)                         | -                         |
| <b>Total comprehensive income for the year</b>               | <b>-</b>                    | <b>5,470</b>                | <b>-</b>                        | <b>5,470</b>              |
| <b>Transactions with owners in their capacity as owners:</b> |                             |                             |                                 |                           |
| Dividends paid   | 16(a)                       | -                           | (2,588)                         | -                         |
| Buy-back of shares   | 15(c)                       | (225)                       | -                               | -                         |
| <b>Balance at 30 June 2023</b>                               | <b>60,250</b>               | <b>9,751</b>                | <b>(8,587)</b>                  | <b>61,414</b>             |
| <b>Balance at 1 July 2021</b>                                | <b>67,374</b>               | <b>5,805</b>                | <b>(6,235)</b>                  | <b>66,944</b>             |
| Profit for the year  | -                           | -                           | 1,353                           | 1,353                     |
| Transfer to profit reserve                                   | -                           | 3,705                       | (3,705)                         | -                         |
| <b>Total comprehensive income for the year</b>               | <b>-</b>                    | <b>3,705</b>                | <b>(2,352)</b>                  | <b>1,353</b>              |
| <b>Transactions with owners in their capacity as owners:</b> |                             |                             |                                 |                           |
| Dividends paid   | 16(a)                       | -                           | (2,641)                         | -                         |
| Buy-back of shares   | 15(c)                       | (6,899)                     | -                               | -                         |
| <b>Balance at 30 June 2022</b>                               | <b>60,475</b>               | <b>6,869</b>                | <b>(8,587)</b>                  | <b>58,757</b>             |

*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 2023**

|   | Notes | 2023<br>\$'000 | 2022<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>                       |       |                |                |
| Interest received   |       | 603            | 164            |
| Net (payments)/proceeds of trading portfolio                      |       | (458)          | 6,404          |
| Dividends and trust distributions received                        |       | 2,620          | 3,691          |
| Other income received   |       | 1              | 3              |
| Management fees paid  |       | (248)          | (261)          |
| Other expenses paid   |       | (359)          | (405)          |
| <b>Net cash inflow from operating activities</b>                  | 21    | <b>2,159</b>   | 9,596          |
| <b>Cash flows from financing activities</b>                       |       |                |                |
| Dividends paid to shareholders                                    | 16(a) | (2,588)        | (2,641)        |
| Payments for shares bought back                                   | 15(c) | (223)          | (6,899)        |
| <b>Net cash (outflow) from financing activities</b>               |       | <b>(2,811)</b> | (9,540)        |
| <b>Net (decrease)/increase in cash and cash equivalents</b>       |       | <b>(652)</b>   | 56             |
| Cash and cash equivalents at beginning of financial year          |       | 1,299          | 1,243          |
| <b>Cash and cash equivalents at the end of the financial year</b> | 8     | <b>647</b>     | 1,299          |
| Non cash: Distribution reinvestment                               |       | -              | 116            |

*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 2023. The Company is primarily involved in making investments and deriving revenue and investment income from listed securities, wholesale fixed interest 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 24 August 2023.

#### (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 2023, but do not have an impact on the Financial Statements of the Company:

*AASB 17: Insurance Contracts*

*AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.*

*AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.*

*AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*

#### (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 tax benefit) 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)

### (c) Income Tax (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)

### (f) Trading Portfolio (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.

## 2. Significant accounting policies (continued)

### (q) New accounting standards for application in future periods

The following new accounting standards and interpretations, have been published that are not mandatory for 30 June 2023 reporting periods and have not yet been adopted in the financial statements:

*AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current.*

*IFRS S1 – General requirements for disclosure of sustainability – related financial information*

*IFRS S2 – Climate related disclosures*

The above accounting standards are effective for annual reporting periods on or after 1 January 2024. 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:

| <b>Sector</b>                 | <b>2023</b><br>(%) | <b>2022</b><br>(%) |
|-------------------------------|--------------------|--------------------|
| Financials                    | 14.2               | 13.8               |
| Property                      | 18.9               | 20.6               |
| Materials & Energy            | 15.6               | 15.0               |
| Utilities & Infrastructure    | 0.2                | 0.2                |
| Corporate floating rate notes | 19.9               | 29.5               |
| Subordinated notes            | 23.5               | 12.5               |
| Fixed rate notes              | 2.4                | 2.6                |
| Financial Services            | 3.9                | 3.1                |
| Communication Services        | 0.3                | -                  |
| Healthcare                    | -                  | 0.4                |
| Cash                          | 1.1                | 2.3                |
| <b>Total</b>                  | <b>100.0</b>       | <b>100.0</b>       |

### 3. Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Price risk (continued)

Securities representing over 5 percent of the trading portfolio at 30 June 2023 were:

|   | 2023<br>(%) |
|---|-------------|
| Australian Unity Healthcare Property Fund | 5.8         |
| BHP Billiton Limited                      | 7.8         |
| Charter Hall Long Wale REIT               | 6.3         |
| Growthpoint Properties Australia          | 6.8         |
|   | 26.7        |

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 an increase or 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 25 percent (2022: 25 percent):

|   | Impact on post-tax profit |         |        |         |
|---|---------------------------|---------|--------|---------|
|   | 2023                      |         | 2022   |         |
|   | \$'000                    | \$'000  | \$'000 | \$'000  |
| Index   |                           |         |        |         |
| Change in variable by +5%/-5% (2022: +5%/-5%)     | 2,256                     | (2,256) | 2,106  | (2,106) |
| Change in variable by +10%/-10% (2022: +10%/-10%) | 4,513                     | (4,513) | 4,211  | (4,211) |

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 2023

|                              | Floating<br>interest rate<br>\$'000 | Fixed<br>interest rate<br>\$'000 | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|------------------------------|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| <b>Financial Assets</b>      |                                     |                                  |                                   |                 |
| Cash and cash equivalents    | 647                                 | -                                | -                                 | 647             |
| Trade and other receivables  | -                                   | -                                | 285                               | 285             |
| Trading portfolio            | 26,392                              | 1,428                            | 32,350                            | 60,170          |
| Other assets                 | -                                   | -                                | 6                                 | 6               |
|                              | 27,039                              | 1,428                            | 32,641                            | 61,108          |
| <b>Financial liabilities</b> |                                     |                                  |                                   |                 |
| Trade and other payables     | -                                   | -                                | (65)                              | (65)            |
| Current tax liability        | -                                   | -                                | (317)                             | (317)           |
|                              | -                                   | -                                | (382)                             | (382)           |
| Net exposure                 | 27,039                              | 1,428                            | 32,259                            | 60,726          |

### 3. Financial risk management (continued)

#### (a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

30 June 2022

|                              | Floating<br>interest rate<br>\$'000 | Fixed<br>interest rate<br>\$'000 | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|------------------------------|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| <b>Financial Assets</b>      |                                     |                                  |                                   |                 |
| Cash and cash equivalents    | 1,299                               | -                                | -                                 | 1,299           |
| Trade and other receivables  | -                                   | -                                | 264                               | 264             |
| Trading portfolio            | 24,158                              | 1,467                            | 30,523                            | 56,148          |
| Other assets                 | -                                   | -                                | 6                                 | 6               |
|                              | 25,457                              | 1,467                            | 30,793                            | 57,717          |
| <b>Financial liabilities</b> |                                     |                                  |                                   |                 |
| Trade and other payables     | -                                   | -                                | (310)                             | (310)           |
| Current tax liability        | -                                   | -                                | (501)                             | (501)           |
|                              | -                                   | -                                | (811)                             | (811)           |
| Net exposure                 | 25,457                              | 1,467                            | 29,982                            | 56,906          |

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2023 is 1.07% pa (2022: 0.00% pa).

#### *Sensitivity*

At 30 June 2023, 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 \$152,096 higher/\$152,096 lower (2022: changes of 75 bps/75 bps: \$117,092 higher/\$117,092 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 2023.

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 overdue 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.

**3. Financial risk management (continued)**  
**(c) Liquidity risk (continued)**

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.

**Contractual maturities of financial liabilities**

|                          | Less than 1<br>month<br>\$'000 | More than 1<br>month<br>\$'000 |
|--------------------------|--------------------------------|--------------------------------|
| <b>At 30 June 2023</b>   |                                |                                |
| <b>Non-derivatives</b>   |                                |                                |
| Trade and other payables | 65                             | -                              |
| Current tax liability    | -                              | 317                            |
| Total non-derivatives    | 65                             | 317                            |
| <br>                     |                                |                                |
| <b>At 30 June 2022</b>   |                                |                                |
| <b>Non-derivatives</b>   |                                |                                |
| Trade and other payables | 310                            | -                              |
| Current tax liability    | -                              | 501                            |
| Total non-derivatives    | 310                            | 501                            |

**(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.



**3. Financial risk management (continued)**  
**(d) Fair value measurements (continued)**

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 2023 and 30 June 2022:

**30 June 2023**

|                         | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|-------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b> |                   |                   |                   |                 |
| Trading portfolio       | 42,750            | 17,420            | -                 | 60,170          |
| <b>Total</b>            | <b>42,750</b>     | <b>17,420</b>     | <b>-</b>          | <b>60,170</b>   |

**30 June 2022**

|                         | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|-------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b> |                   |                   |                   |                 |
| Trading portfolio       | 44,683            | 11,465            | -                 | 56,148          |
| <b>Total</b>            | <b>44,683</b>     | <b>11,465</b>     | <b>-</b>          | <b>56,148</b>   |

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

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| <i>Revenue</i>                                     |                |                |
| Dividends  | 1,966          | 2,866          |
| Interest   | 623            | 166            |
| Distributions                                      | 655            | 779            |
| Other income                                       | 1              | 3              |
|  | <u>3,245</u>   | <u>3,814</u>   |
| <i>Net gains/(losses) on trading portfolio</i>     |                |                |
| Net realised gains on trading portfolio            | 1,659          | 2,110          |
| Net unrealised gains/(losses) on trading portfolio | 2,155          | (4,549)        |
|  | <u>3,814</u>   | <u>(2,439)</u> |
|  | <u>7,059</u>   | <u>1,375</u>   |

## 7. Income tax expense

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

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| Current tax  | 317            | 501            |
| Deferred tax   | 663            | (1,141)        |
|  | <u>980</u>     | <u>(640)</u>   |
| <i>Income tax expense/ (benefit) is attributable to:</i> |                |                |
| Profit from continuing operations                        | <u>980</u>     | <u>(640)</u>   |

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

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| Profit from continuing operations before income tax expense/(benefit)                   | 6,450          | 713            |
| Tax at the Australian rate of 25% (2022: 25%)   | 1,612          | 178            |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |                |                |
| Franking credits on dividends received  | (770)          | (1,207)        |
| Imputation gross up on dividend income  | 195            | 302            |
| Timing differences  | 117            | (69)           |
| Realised taxable investment gain  | 303            | 686            |
| Realised accounting investment (gain)   | (414)          | (527)          |
| Adjustments for current tax of prior year   | (63)           | (3)            |
| Income tax expense/(benefit)  | <u>980</u>     | <u>(640)</u>   |

## 8. Cash and cash equivalents

|                          | <b>2023</b>   | <b>2022</b>   |
|--------------------------|---------------|---------------|
|                          | <b>\$'000</b> | <b>\$'000</b> |
| Cash at bank and in hand | <b>647</b>    | 1,299         |

### 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- (2022: AA-) by Standard & Poor's.

## 9. Trade and other receivables

|  | <b>2023</b>   | <b>2022</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Dividends and distributions receivable | <b>237</b>    | 235           |
| Interest receivable                    | <b>41</b>     | 22            |
| GST receivable                         | <b>7</b>      | 7             |
|  | <b>285</b>    | 264           |

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

|  | 2023          | 2022          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Listed equities                        | 20,834        | 18,700        |
| Property trusts - listed               | 8,012         | 8,521         |
| Property trusts - unlisted             | 3,504         | 3,302         |
| Floating rate capital notes - listed   | 11,590        | 16,460        |
| Floating rate capital notes - unlisted | 511           | 512           |
| Fixed rate notes - listed              | 1,007         | 1,002         |
| Fixed rate notes - unlisted            | 421           | 465           |
| Subordinated notes- listed             | 1,308         | -             |
| Subordinated notes- unlisted           | 12,983        | 7,186         |
|  | <b>60,170</b> | <b>56,148</b> |

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<br>principal<br>amounts<br>2023<br>\$'000 | Notional<br>principal<br>amounts<br>2022<br>\$'000 |
|------------------------------------|--|--|
| Australian exchange traded options | (471)  | (433)  |

## 12. Deferred tax assets

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| <b>The balance comprises temporary differences attributable to:</b> |                |                |
| Tax losses  | 1,552          | 2,053          |
| Other temporary differences   | 11             | 11             |
|   | <u>1,563</u>   | <u>2,064</u>   |
| <b>Movements:</b>   |                |                |
| Opening balance:  | 2,064          | 2,214          |
| Charged/credited:   |                |                |
| - to profit or loss   | (501)          | (150)          |
|   | <u>1,563</u>   | <u>2,064</u>   |

## 13. Trade and other payables

|                         | 2023<br>\$'000 | 2022<br>\$'000 |
|-------------------------|----------------|----------------|
| Notes                   |                |                |
| Management fees payable | 22             | 21             |
| Unsettled purchases     | 3              | 250            |
| Other payables          | 40             | 39             |
|                         | <u>65</u>      | <u>310</u>     |

#### 14. Deferred tax liabilities

|   | 2023   | 2022    |
|---|--------|---------|
|   | \$'000 | \$'000  |
| <b>The balance comprises temporary differences attributable to:</b> |        |         |
| Accrued income  | 10     | 6       |
| Unrealised gains on investments                                     | 865    | 207     |
|   | 875    | 213     |
| <b>Movements:</b>   |        |         |
| Opening balance   | 213    | 1,504   |
| Charged/credited  |        |         |
| - to profit or loss   | 663    | (1,141) |
| - prior year adjustment   | (1)    | (150)   |
|   | 875    | 213     |

#### 15. Issued capital

##### (a) Issued capital

|                              | 30 June<br>2023    | 30 June<br>2022 | 2023          | 2022   |
|------------------------------|--------------------|-----------------|---------------|--------|
|                              | Shares             | Shares          | \$'000        | \$'000 |
| Ordinary shares - fully paid | <b>109,658,101</b> | 110,154,394     | <b>60,250</b> | 60,475 |

##### (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<br>shares | \$'000        |
|--------------------------|---------------------|---------------|
| Balance at 1 July 2022   | 110,154,394         | 60,475        |
| Less:                    |                     |               |
| On-market share buy-back | (496,293)           | (225)         |
| Balance at 30 June 2023  | <b>109,658,101</b>  | <b>60,250</b> |
| <br>                     |                     |               |
|                          | Number of<br>shares | \$'000        |
| Balance at 1 July 2021   | 123,166,545         | 67,374        |
| Less:                    |                     |               |
| On-market share buy-back | (13,012,151)        | (6,899)       |
| Balance at 30 June 2022  | 110,154,394         | 60,475        |

## 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) Dividends paid during the year

|                   | <b>2023</b>   | <b>2022</b>   |
|-------------------|---------------|---------------|
|                   | <b>\$'000</b> | <b>\$'000</b> |
| Final dividend    | 1,377         | 1,540         |
| Interim dividends | 1,211         | 1,101         |
|                   | <b>2,588</b>  | <b>2,641</b>  |

#### Dividends not recognised at the end of the year

On 24 August 2023, the Directors declared a final dividend of 1.25 cents per share fully franked payable on 27 September 2023, with a record date of 6 September 2023. The aggregate amount of the proposed final dividend to be paid out of the Profit Reserve at the end of the year but not recognised as a liability is:

|  |              |              |
|--|--------------|--------------|
|  | <b>1,370</b> | <b>1,377</b> |
|--|--------------|--------------|

### (b) Dividend franking account

|   | <b>2023</b>   | <b>2022</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Opening balance of franking account</b>            | <b>490</b>    | <b>163</b>    |
| Franking credits on dividends received                | 770           | 1,207         |
| Franking credits on ordinary dividends paid           | (863)         | (880)         |
| <b>Closing balance of franking account</b>            | <b>397</b>    | <b>490</b>    |
| Franking credits on dividends received after year end | 44            | 32            |
|   | <b>44</b>     | <b>32</b>     |
|   | <b>441</b>    | <b>522</b>    |

## 16. Dividends (continued)

### (c) Dividend rate

|                           | Record Date | Dividend Rate | Total Amount \$'000 | Date of Payment | % Franked |
|---------------------------|-------------|---------------|---------------------|-----------------|-----------|
| <b>2023</b>               |             |               |                     |                 |           |
| Ordinary shares - Final   | 06/09/2023  | 1.25cps       | \$1,370             | 27/09/2023      | 100       |
| Ordinary shares - Interim | 07/03/2023  | 1.1cps        | \$1,211             | 30/03/2023      | 100       |
| <b>2022</b>               |             |               |                     |                 |           |
| Ordinary shares - Final   | 02/09/2022  | 1.25cps       | \$1,377             | 28/09/2022      | 100       |
| Ordinary shares - Interim | 04/03/2022  | 1.0cps        | \$1,101             | 31/03/2022      | 100       |

The dividends are fully franked at the corporate tax rate of 25% (2022:25%).

## 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<br>2023<br>\$'000 | 30 June<br>2022<br>\$'000 |
|---|---------------------------|---------------------------|
| <i>Audit and other assurance services</i>               |                           |                           |
| MNSA Pty Ltd - Audit and review of financial statements | 40                        | 38                        |

## 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 2023 (2022: nil).



## 19. Related party transactions

### (a) Key management personnel

|                     | 2023   | 2022   |
|---------------------|--------|--------|
|                     | \$'000 | \$'000 |
| Short-term benefits | 49     | 58     |

### (b) Transactions with other related parties

The Company has an Investment 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 Investment Management Agreement, a performance fee of 15% is payable for outperformance of the investment portfolio above the benchmark of 1 year swap rate plus 6%, subject to a highwater mark. The manager's performance is adjusted to include the value of franking credits received or accrued during a measurement period and after deduction of Management Fees and any applicable GST. As at 30 June 2023 the performance fee is negative 0.1% below the high water mark and there was no performance fee payable. (2022: Nil)

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

|                                 | 2023   | 2022   |
|---------------------------------|--------|--------|
|                                 | \$'000 | \$'000 |
| Management fees paid or payable | 249    | 258    |

### (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 | 30 June |
|-------------------------|---------|---------|
|                         | 2023    | 2022    |
|                         | \$'000  | \$'000  |
| Management fees payable | 22      | 21      |

### (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

Other than noted elsewhere 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**

|  | 2023    | 2022    |
|--|---------|---------|
|  | \$'000  | \$'000  |
| Profit for the year                                | 5,470   | 1,353   |
| Unrealised (gains)/losses on trading portfolio     | (2,155) | 4,549   |
| Realised (gains) on trading portfolio              | (1,659) | (2,110) |
| Distribution reinvestment                          | -       | (116)   |
| Change in operating assets and liabilities         |         |         |
| (Increase)/decrease in trade and other receivables | (21)    | 159     |
| Increase in trade and other payables               | 3       | 247     |
| - Less increase in trading portfolio payables      | -       | (250)   |
| Increase/(decrease) in tax                         | 980     | (640)   |
| (Increase)/decrease in trading portfolio           | (459)   | 6,404   |
| Net cash inflow from operating activities          | 2,159   | 9,596   |

**22. Earnings per share**

**(a) Basic earnings per share**

|   | 2023  | 2022  |
|---|-------|-------|
|   | Cents | Cents |
| From continuing operations attributable to the ordinary equity holders of the company     | 4.97  | 1.18  |
| Total basic earnings per share attributable to the ordinary equity holders of the company | 4.97  | 1.18  |

**(b) Diluted earnings per share**

|   | 2023  | 2022  |
|---|-------|-------|
|   | Cents | Cents |
| From continuing operations attributable to the ordinary equity holders of the company       | 4.97  | 1.18  |
| Total diluted earnings per share attributable to the ordinary equity holders of the company | 4.97  | 1.18  |

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**

|  | 2023        | 2022        |
|--|-------------|-------------|
|  | Number      | Number      |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | 110,079,696 | 114,997,016 |

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 16 to 38 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 2023 and of its performance for the year ended on that date.
- (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  
24 August 2023



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

**Report on 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 2023, 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, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

- a. giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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* (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 for the year ended 30 June 2023. 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 2023 comprised of listed, unlisted equity investments and exchange traded options of \$60 million which constitutes 96% of the Company's total assets.</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 2023, 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>We assessed the disclosure in the financial statements with reference to the requirements of accounting standards.</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 assessed 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> |

There were no restrictions on our reporting of Key Audit Matters.

### **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and our 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 preparing the financial report, the directors are responsible for assessing the ability of the Company 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 objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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.

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 the 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

We have audited the remuneration report included within the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Ironbark Capital Limited for the year ended 30 June 2023 complies with s 300A of the *Corporations Act 2001*.

### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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**

### **Mark Schiliro**

Director

Sydney

Dated this 24<sup>th</sup> August 2023



## Shareholder Information

As at 3 August 2023 there were 1,524 shareholders of fully paid ordinary shares in Ironbark Capital Limited (ASX:IBC). These holdings were distributed as follows:

| Holdings Range   | No. of Shareholders | Shares             | %            |
|------------------|---------------------|--------------------|--------------|
| 1-1,000          | 274                 | 93,405             | 0.1          |
| 1,001-5,000      | 326                 | 950,263            | 0.9          |
| 5,001-10,000     | 192                 | 1,437,031          | 1.3          |
| 10,001-100,000   | 625                 | 20,602,646         | 18.8         |
| 100,001 and over | 107                 | 86,494,756         | 78.9         |
| <b>Total</b>     | <b>1,524</b>        | <b>109,578,101</b> | <b>100.0</b> |

There were 279 shareholders holding less than a marketable parcel of \$500 (1,086 shares).

## Major Shareholders

The top 20 shareholders as at 3 August 2023 are listed below:

| Holder Name  | Ordinary Shares    |               |
|--|--------------------|---------------|
|  | Number Held        | %             |
| KAPLAN PARTNERS PTY LIMITED  | 41,838,109         | 38.18%        |
| NATIONAL NOMINEES LIMITED  | 9,756,892          | 8.90%         |
| MRS GLENDA CLAIRE ORGILL   | 2,634,348          | 2.40%         |
| AGO PTY LTD <SUPERANNUATION FUND A/C>  | 2,609,056          | 2.38%         |
| LIANGROVE MEDIA PTY LIMITED  | 1,943,456          | 1.77%         |
| BOND STREET CUSTODIANS LIMITED <MCGOL - I27406 A/C>  | 1,389,077          | 1.27%         |
| LIANGROVE GROUP PTY LTD  | 1,166,081          | 1.06%         |
| IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>   | 933,234            | 0.85%         |
| BOND STREET CUSTODIANS LIMITED <MCGOL - DR0020 A/C>  | 806,127            | 0.74%         |
| BOND STREET CUSTODIANS LIMITED <MCGOL - AP0390 A/C>  | 712,982            | 0.65%         |
| MISS SAMANTHA ORGILL   | 668,260            | 0.61%         |
| MR ANTHONY GEOFFREY HARTNELL   | 638,982            | 0.58%         |
| NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>  | 636,783            | 0.58%         |
| BOND STREET CUSTODIANS LIMITED <DAKRET - V47560 A/C>   | 618,750            | 0.56%         |
| BOND STREET CUSTODIANS LIMITED <MCGOL - V20404 A/C>  | 616,331            | 0.56%         |
| SAVIVE PTY LTD <SAVIVE SUPER FUND A/C>   | 615,000            | 0.56%         |
| DANEJON PTY LIMITED <DANEJON SUPER FUND A/C>   | 600,000            | 0.55%         |
| WENTRADING PTY LTD <WENTRADING SUPER FUND A/C>   | 584,293            | 0.53%         |
| BOND STREET CUSTODIANS LIMITED <MCGOL - CP0570 A/C>  | 546,885            | 0.50%         |
| PAMELA JOY KIESSLING & RICHARD ALBERT JOHNSON & SALLY JANE ARMSTRONG <EST ROBIN F ARMSTRONG A/C> | 546,725            | 0.50%         |
|  | <b>69,861,371</b>  | <b>63.75%</b> |
| <b>Total Securities as per Register</b>  | <b>109,578,101</b> |               |

### Voting rights

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

- i. on a show of hands, one vote for each shareholder; and
- ii. on a poll, one vote for each share held.

### Substantial shareholders

As at 3 August 2023 the name and holding of each substantial holder as disclosed in the notice received by Ironbark Capital in respect of the shareholder and their associates:

| Holder Name                 | Notice Date | Ordinary Shares |        |
|-----------------------------|-------------|-----------------|--------|
|                             |             | Shareholding    | %      |
| KAPLAN PARTNERS PTY LIMITED | 26 Nov 2021 | 46,864,158      | 42.77% |

### On-market buy-back

The Company has extended the on-market buy-back arrangement that was in place for the 12 months to 20 July 2023. It continues for another 12 months for the buy-back of up to 10% of the Company's shares commencing 21 July 2023.

### 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.

Under the terms of the Investment Management Agreement, a performance fee of 15% is payable for outperformance of the investment portfolio above the benchmark of 1 year swap rate plus 6%, subject to a highwater mark. The manager's performance is adjusted to include the value of franking credits received or accrued during a measurement period and after deduction of Management Fees and any applicable GST.

### Transaction Summary

The Company recorded 489 security transactions (including options) during the financial year. Brokerage paid during the year net of RITC claimable was \$19,538.