

# **T. Rowe Price Australian Equity Fund**

ARSN 155 367 481

**Annual report**

**For the year ended 30 June 2019**

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### **Contents**

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to financial statements

Directors' declaration

Independent auditor's report to the unit holders of T. Rowe Price Australian Equity Fund

This annual report covers T. Rowe Price Australian Equity Fund as an individual entity.

The Responsible Entity of T. Rowe Price Australian Equity Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

## Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of T. Rowe Price Australian Equity Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2019.

### Principal activities

The Fund's objective is long-term capital appreciation through investment primarily in a portfolio of securities of Australian companies listed on the S&P/ASX 200 Accumulation Index ("ASX200"). The portfolio will include the securities of a broad range of companies across the market capitalisation. Additionally, the portfolio may contain investments in the securities of companies outside of the ASX200 including certain New Zealand and Australian Securities Exchange (ASX) dual listed companies.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The various service providers for the Fund are detailed below:

| Service                     | Provider                        |
|-----------------------------|---------------------------------|
| Responsible Entity          | Equity Trustees Limited         |
| Investment Manager          | T. Rowe Price Australia Limited |
| Custodian and Administrator | JPMorgan Chase Bank, N.A.       |
| Statutory Auditor           | PricewaterhouseCoopers          |

### Directors

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

|                   |                          |
|-------------------|--------------------------|
| Philip D Gentry   | (Chairman)               |
| Harvey H Kalman   |                          |
| Ian C Westley     |                          |
| Michael J O'Brien | (appointed 11 July 2018) |

### Review and results of operations

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

The Fund's performance was 3.75% (net of fees) for the year ended 30 June 2019. The Fund's benchmark, the S&P/ASX 200 Accumulation Index returned 11.55% for the same period.

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

|   | Year ended      |                 |
|---|-----------------|-----------------|
|   | 30 June<br>2019 | 30 June<br>2018 |
| Operating profit/(loss) for the year (\$'000) | <u>3,152</u>    | <u>3,467</u>    |
| <b>Distributions - Class I</b>                |                 |                 |
| Distributions paid and payable (\$'000)       | <u>2,619</u>    | <u>1,966</u>    |
| Distributions (cents per unit)                | <u>25.44</u>    | <u>8.36</u>     |
| <b>Distributions - Class S</b>                |                 |                 |
| Distributions paid and payable (\$'000)       | <u>2</u>        | <u>-</u>        |
| Distribution (cents per unit)                 | <u>4.47</u>     | <u>-</u>        |

## **Directors' report (continued)**

### **Significant changes in the state of affairs**

Michael J O'Brien was appointed as a director of Equity Trustees Limited on 11 July 2018.

During the period 1 July 2018 to 30 June 2019, the Fund satisfied the Attribution Managed Investment Trust ("AMIT") tax regime requirements. The Fund had amended its constitution to change the obligation to distribute trust income to unit holders effective 12 May 2017 as part of a process to become eligible to elect into the new AMIT tax regime.

The Fund issued units under the new class (Class S) subject to different rights and obligations during the year ended 30 June 2019.

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

### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may have a significant effect on:

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

### **Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

### **Indemnification and insurance of officers**

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

### **Indemnification of auditor**

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

### **Fees paid to and interests held in the Fund by the Responsible Entity and its associates**

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 14 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 14 to the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 7 to the financial statements.

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

## **Directors' report (continued)**

### **Environmental regulation**

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

### **Rounding of amounts to the nearest thousand dollars**

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### **Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
23 September 2019



## *Auditor's Independence Declaration*

As lead auditor for the audit of T. Rowe Price Australian Equity Fund for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'G Sagonas', with a long horizontal flourish extending to the right.

George Sagonas  
Partner  
PricewaterhouseCoopers

Melbourne  
23 September 2019

**T. Rowe Price Australian Equity Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2019**

**Statement of comprehensive income**

|  | Note | Year ended                |                           |
|--|------|---------------------------|---------------------------|
|  |      | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>Investment income</b>   |      |                           |                           |
| Dividend and distribution income   |      | 1,510                     | 886                       |
| Net gains/(losses) on financial instruments at fair value through profit or loss | 5    | 1,963                     | 2,761                     |
| Management fee reimbursements  | 14   | <u>-</u>                  | <u>39</u>                 |
| <b>Total investment income/(loss)</b>  |      | <b><u>3,473</u></b>       | <b><u>3,686</u></b>       |
| <b>Expenses</b>  |      |                           |                           |
| Management fees  | 14   | 104                       | 65                        |
| Custody and administration fees  |      | 114                       | 86                        |
| Withholding taxes  |      | 4                         | 3                         |
| Transaction costs  |      | 67                        | 23                        |
| Other expenses   |      | <u>32</u>                 | <u>42</u>                 |
| <b>Total expenses</b>  |      | <b><u>321</u></b>         | <b><u>219</u></b>         |
| <b>Operating profit/(loss) for the year</b>                                      |      | <b><u>3,152</u></b>       | <b><u>3,467</u></b>       |
| <b>Finance costs attributable to unit holders</b>                                |      |                           |                           |
| Distribution to unit holders   | 8    | (2,621)                   | (1,966)                   |
| (Increase)/decrease in net assets attributable to unit holders                   | 7    | <u>(531)</u>              | <u>(1,501)</u>            |
| <b>Profit/(loss) for the year</b>  |      | -                         | -                         |
| Other comprehensive income   |      | <u>-</u>                  | <u>-</u>                  |
| <b>Total comprehensive income for the year</b>                                   |      | <b><u>-</u></b>           | <b><u>-</u></b>           |

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

**Statement of financial position**

|  | Note | As at                     |                           |
|--|------|---------------------------|---------------------------|
|  |      | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>Assets</b>  |      |                           |                           |
| Cash and cash equivalents  | 9    | 3,713                     | 1,465                     |
| Receivables  | 11   | 292                       | 227                       |
| Financial assets at fair value through profit or loss                        | 6    | <u>40,717</u>             | <u>30,793</u>             |
| <b>Total assets</b>  |      | <u><b>44,722</b></u>      | <u><b>32,485</b></u>      |
| <b>Liabilities</b>   |      |                           |                           |
| Distributions payable  | 8    | 1,054                     | 1,966                     |
| Payables   | 12   | 29                        | 14                        |
| Due to brokers - payable for securities purchased                            |      | <u>-</u>                  | <u>24</u>                 |
| <b>Total liabilities (excluding net assets attributable to unit holders)</b> |      | <u><b>1,083</b></u>       | <u><b>2,004</b></u>       |
| <b>Net assets attributable to unit holders - liability</b>                   | 7    | <u><b>43,639</b></u>      | <u><b>30,481</b></u>      |

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



**Statement of changes in equity**

|  | Year ended |          |
|--|------------|----------|
|  | 30 June    | 30 June  |
|  | 2019       | 2018     |
|  | \$'000     | \$'000   |
| <b>Total equity at the beginning of the financial year</b> | -          | -        |
| Profit/(loss) for the year                                 | -          | -        |
| Other comprehensive income                                 | -          | -        |
| <b>Total comprehensive income</b>                          | <u>-</u>   | <u>-</u> |
| Transactions with owners in their capacity as owners       | <u>-</u>   | <u>-</u> |
| <b>Total equity at the end of the financial year*</b>      | <u>-</u>   | <u>-</u> |

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

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

**Statement of cash flows**

|  |       | <b>Year ended</b>     |                       |
|--|-------|-----------------------|-----------------------|
|  |       | <b>30 June</b>        | 30 June               |
|  |       | <b>2019</b>           | 2018                  |
|  | Note  | <b>\$'000</b>         | \$'000                |
| <b>Cash flows from operating activities</b>                                      |       |                       |                       |
| Proceeds from sale of financial instruments at fair value through profit or loss |       | <b>35,936</b>         | 9,758                 |
| Purchase of financial instruments at fair value through profit or loss           |       | <b>(43,921)</b>       | (18,603)              |
| Transaction costs on purchase of financial instruments at fair value             |       | <b>(67)</b>           | (23)                  |
| Dividends and distributions received   |       | <b>1,444</b>          | 827                   |
| Other income received  |       | <b>-</b>              | 4                     |
| Management fees paid   |       | <b>(106)</b>          | (33)                  |
| Custody and administration fees paid   |       | <b>(105)</b>          | (92)                  |
| Other expenses paid  |       | <b>(27)</b>           | (42)                  |
| <b>Net cash inflow/(outflow) from operating activities</b>                       | 10(a) | <b><u>(6,846)</u></b> | <b><u>(8,204)</u></b> |
| <b>Cash flows from financing activities</b>                                      |       |                       |                       |
| Proceeds from applications by unit holders                                       |       | <b>23,551</b>         | 9,501                 |
| Payments for redemptions by unit holders   |       | <b>(12,166)</b>       | (1,229)               |
| Distributions paid to unit holders   |       | <b>(2,291)</b>        | (248)                 |
| <b>Net cash inflow/(outflow) from financing activities</b>                       |       | <b><u>9,094</u></b>   | <b><u>8,024</u></b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                      |       | <b>2,248</b>          | (180)                 |
| Cash and cash equivalents at the beginning of the year                           |       | <b><u>1,465</u></b>   | <b><u>1,645</u></b>   |
| <b>Cash and cash equivalents at the end of the year</b>                          | 9     | <b><u>3,713</u></b>   | <b><u>1,465</u></b>   |
| Non-cash operating and financing activities                                      | 10(b) | <b>1,242</b>          | 1,525                 |

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

## **Notes to the financial statements**

### **Contents**

- 1 General information
- 2 Summary of significant accounting policies
- 3 Financial risk management
- 4 Fair value measurement
- 5 Net gains/(losses) on financial instruments at fair value through profit or loss
- 6 Financial assets at fair value through profit or loss
- 7 Net assets attributable to unit holders
- 8 Distributions to unit holders
- 9 Cash and cash equivalents
- 10 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
- 11 Receivables
- 12 Payables
- 13 Remuneration of auditor
- 14 Related party transactions
- 15 Events occurring after the reporting period
- 16 Contingent assets and liabilities and commitments

## **1 General information**

These financial statements cover T. Rowe Price Australian Equity Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, which was constituted on 25 January 2012 and will terminate in accordance with the provisions of the Fund's Constitution or by law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund's objective is long-term capital appreciation through investment primarily in a portfolio of securities of Australian companies listed on the S&P/ASX 200 Accumulation Index ("ASX200"). The portfolio will include the securities of a broad range of companies across the market capitalisation. Additionally, the portfolio may contain investments in the securities of companies outside of the ASX200 including certain New Zealand and ASX dual listed companies.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's Constitution has been amended to change the obligation to distribute trust income to unit holders effective 12 May 2017 as part of a process to become eligible to elect into the new AMIT tax regime. During the period 1 July 2018 to 30 June 2019, the Fund satisfied the Attribution Managed Investment Trust ("AMIT") tax regime requirements. The Responsible Entity is therefore no longer contractually obligated to pay distributions. However during the year ended 30 June 2019, the Fund issued new class of units with specific contractual rights and obligations. Accordingly, the units in the Fund are classified as financial liability, see Note 7 for further information.

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

## **2 Summary of significant accounting policies**

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

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities at fair value through profit or loss and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

#### *(i) Compliance with International Financial Reporting Standards (IFRS)*

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

#### *(ii) New and amended standards adopted by the Fund*

The Fund had to change some of the accounting policies as a result of new and revised accounting standards which became effective for the first time in the current reporting period. The affected policies are:

## **2 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

#### *(ii) New and amended standards adopted by the Fund (continued)*

- AASB 9 *Financial Instruments* (and applicable amendments)

AASB 9 became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting.

Equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Fund without the use of hindsight and it has determined that adoption did not result in a change to the classification or measurement of financial instruments in either the current or prior periods. The Fund has elected to restate the comparative period presented to comply with AASB 9. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

- AASB 15 *Revenue from Contracts with Customers*

AASB 15 became effective for annual periods beginning on or after 1 January 2018 which is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and distributions, and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a material impact on the Fund's accounting policies or the amounts recognised in the financial statements.

#### *(iii) New standard and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

### **(b) Financial instruments**

#### *(i) Classification*

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents, due from brokers and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (due to brokers, distributions payable, management fees payable, custody and administration fees payable and other payables).

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(ii) Recognition and derecognition*

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

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

#### *(iii) Measurement*

- Financial instruments at fair value through profit or loss

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

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

For further details on how the fair value of financial instruments is determined, please see Note 4 to the financial statements.

- Financial instruments at amortised costs

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification.

#### *(iv) Impairment*

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

### **(c) Net assets attributable to unit holders**

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders.

The units can be put back to the Fund at any time for cash based on the current redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unit holders.

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

### **(d) Cash and cash equivalents**

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

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

### **(e) Investment income**

#### *(i) Interest income*

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

## **2 Summary of significant accounting policies (continued)**

### **(e) Investment income (continued)**

#### *(i) Interest income (continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

#### *(ii) Dividends and distributions*

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

### **(f) Expenses**

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

As per the Fund's Product Disclosure Statement (PDS), management fees include ordinary expenses such as investment management fees, custody and administration fees, audit fees and other ordinary expenses, excluding the transactions costs. These ordinary expenses are disclosed separately in the statement of comprehensive income. The total of these ordinary expenses are capped at the rate disclosed in the PDS. If the ordinary expenses exceed the disclosed cap then the Investment Manager will cover the shortfall and reimburse this to the Fund.

### **(g) Income tax**

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income as expenses.

### **(h) Distributions**

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

### **(i) Increase/decrease in net asset attributable to unit holders**

Income not distributed is included in net assets attributable to unit holders. Where the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

### **(j) Foreign currency translation**

#### *(i) Functional and presentation currency*

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

#### *(ii) Transactions and balances*

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Fund does not isolate that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the net gains/(losses) on financial instruments at fair value through profit or loss.

## **2 Summary of significant accounting policies (continued)**

### **(k) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and are recognised initially at fair value and subsequently measured at amortised cost.

### **(l) Receivables**

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

### **(m) Payables**

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

A separate distribution payable is recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

### **(n) Applications and redemptions**

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

### **(o) Goods and Services Tax (GST)**

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

### **(p) Use of estimates**

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

For more information on how fair value is calculated refer to Note 5 to the financial statements.

The adoption of AASB 9 introduced a new expected credit loss (ECL) impairment model, which has not materially impacted the Fund. Please see Note 3 for more information on credit risk.

### **(q) Rounding of amounts**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

### **(r) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.



### 3 Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity is limited to the fair value of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, T. Rowe Price Australia Limited ("TRP" or the "Investment Manager"), under an Investment Management Agreement (IMA) approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

#### (a) Market risk

##### (i) Price risk

The Fund is exposed to price risk on listed equity securities or listed unit trusts quoted on recognised securities exchanges. Price risk arises from investments held by the Fund for which prices in the future are uncertain.

The table at Note 3(b) summarises the sensitivity of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible change that the markets in which the Fund invests moves by +/-10% (2018: +/-10%).

The Investment Manager uses research and analysis to monitor variables that elevate price risk and to minimize the downside impact of these variables on the Fund's investments. Additionally, the Investment Manager performs regular reviews of both large security positions held across all portfolios and large market exposures for the Fund.

##### (ii) Interest rate risk

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Fund to interest rate risk.

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risk. The reasonably possible change in the risk variables have been determined based on the management's best estimate, having regard to a number of factors, including historical levels of changes in correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

|                           | <b>Impact on operating profit/net assets attributable to unit holders</b> |                |
|---------------------------|---|----------------|
|                           | <b>+10%</b>   | <b>-10%</b>    |
|                           | <b>Price risk</b>   |                |
|                           | <b>\$'000</b>   | <b>\$'000</b>  |
| <b>As at 30 June 2019</b> | <b>4,072</b>  | <b>(4,072)</b> |
| As at 30 June 2018        | 3,079   | (3,079)        |

#### (c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

### 3 Financial risk management (continued)

#### (d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests.

The main liability of the Fund is the redemption of any units that unit holders wish to redeem, and the Investment Manager therefore aims to invest the majority of its assets in listed securities which are traded in an active market, and can be readily disposed of.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during 2019 and 2018.

#### (i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. However for net assets attributable to unit holders, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

|   | Less than 1<br>month<br>\$'000 | 1 to 6<br>months<br>\$'000 | 6 to 12<br>months<br>\$'000 | Over 12<br>months<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------|
| <b>As at 30 June 2019</b>                             |                                |                            |                             |                             |                 |
| Distributions payable                                 | 1,054                          | -                          | -                           | -                           | 1,054           |
| Payables  | 29                             | -                          | -                           | -                           | 29              |
| Net asset attributable to unit holders - liability    | <u>43,639</u>                  | -                          | -                           | -                           | <u>43,639</u>   |
| <b>Contractual cash flows (excluding derivatives)</b> | <u>44,722</u>                  | -                          | -                           | -                           | <u>44,722</u>   |
| <br>  |                                |                            |                             |                             |                 |
| <b>As at 30 June 2018</b>                             |                                |                            |                             |                             |                 |
| Distributions payable                                 | 1,966                          | -                          | -                           | -                           | 1,966           |
| Payables  | 14                             | -                          | -                           | -                           | 14              |
| Due to brokers - payable for securities purchased     | 24                             | -                          | -                           | -                           | 24              |
| Net asset attributable to unit holders - liability    | <u>30,481</u>                  | -                          | -                           | -                           | <u>30,481</u>   |
| <b>Contractual cash flows (excluding derivatives)</b> | <u>32,485</u>                  | -                          | -                           | -                           | <u>32,485</u>   |

### 4 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments

## 4 Fair value measurement (continued)

### (a) Fair value in an active market (level 1)

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

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

### (b) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2019 and 2018.

|   | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| <b>As at 30 June 2019</b>   |                   |                   |                   |                 |
| <b>Financial assets at fair value through profit and loss</b>       |                   |                   |                   |                 |
| Listed equity securities  | 36,756            | -                 | -                 | 36,756          |
| Listed unit trusts  | 3,961             | -                 | -                 | 3,961           |
| <b>Total financial assets at fair value through profit and loss</b> | <b>40,717</b>     | <b>-</b>          | <b>-</b>          | <b>40,717</b>   |
| <b>As at 30 June 2018</b>   |                   |                   |                   |                 |
| <b>Financial assets at fair value through profit and loss</b>       |                   |                   |                   |                 |
| Listed equity securities  | 30,793            | -                 | -                 | 30,793          |
| <b>Total financial assets at fair value through profit and loss</b> | <b>30,793</b>     | <b>-</b>          | <b>-</b>          | <b>30,793</b>   |

### (c) Transfers between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

### (d) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

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

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

|   | Year ended                |                           |
|---|---------------------------|---------------------------|
|   | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>Financial assets</b>   |                           |                           |
| Net realised gain/(loss) on financial assets at fair value through profit and loss            | 707                       | 1,140                     |
| Net unrealised gain/(loss) on financial assets at fair value through profit or loss           | 1,256                     | 1,621                     |
| Net gains/(losses) on financial assets at fair value through profit and loss                  | 1,963                     | 2,761                     |
| <b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b> | <b>1,963</b>              | <b>2,761</b>              |

## 6 Financial assets at fair value through profit or loss

|   | As at                |                      |
|---|----------------------|----------------------|
|   | 30 June              | 30 June              |
|   | 2019                 | 2018                 |
|   | \$'000               | \$'000               |
| Listed equity securities  | 36,756               | 30,793               |
| Listed unit trusts  | <u>3,961</u>         | <u>-</u>             |
| <b>Total financial assets at fair value through profit or loss*</b> | <u><b>40,717</b></u> | <u><b>30,793</b></u> |

\*The Fund's investments in equity securities and unit trusts were previously designated at fair value through profit or loss. On adoption of AASB 9 all above investments are mandatorily classified as financial assets at fair value through profit or loss.

## 7 Net assets attributable to unit holders

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

|  | Year ended           |                      | Year ended           |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 30 June              | 30 June              | 30 June              | 30 June              |
|  | 2019                 | 2019                 | 2018                 | 2018                 |
|  | Units                | Units                | Units                | Units                |
|  | '000                 | \$'000               | '000                 | \$'000               |
| <b>Class I</b>   |                      |                      |                      |                      |
| Opening balance  | 23,526               | 30,481               | 15,869               | 19,183               |
| Applications   | 19,362               | 23,501               | 7,342                | 9,501                |
| Redemptions  | (10,641)             | (12,166)             | (943)                | (1,229)              |
| Reinvestment of distributions                                  | 958                  | 1,242                | 1,258                | 1,525                |
| Increase/(decrease) in net assets attributable to unit holders | <u>-</u>             | <u>527</u>           | <u>-</u>             | <u>1,501</u>         |
| <b>Closing balance</b>   | <u><b>33,205</b></u> | <u><b>43,585</b></u> | <u><b>23,526</b></u> | <u><b>30,481</b></u> |
| <b>Class S</b>   |                      |                      |                      |                      |
| Opening balance*   | -                    | -                    | -                    | -                    |
| Applications   | 50                   | 50                   | -                    | -                    |
| Increase/(decrease) in net assets attributable to unit holders | <u>-</u>             | <u>4</u>             | <u>-</u>             | <u>-</u>             |
| <b>Closing balance</b>   | <u><b>50</b></u>     | <u><b>54</b></u>     | <u><b>-</b></u>      | <u><b>-</b></u>      |
| <b>Total balance</b>   |                      | <u><b>43,639</b></u> |                      | <u><b>30,481</b></u> |

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

There are 2 separate classes of units. Each unit has the same rights attaching to it as all other units of the Fund. Each unit class has different management fee rate and investment restrictions.

Units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

\*The new class (Class S) was incepted on 23 January 2019.

## 7 Net assets attributable to unit holders (continued)

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unit holders.

## 8 Distributions to unit holders

The distributions declared during the year were as follows:

|                            | Year ended                |                        | Year ended                |                        |
|----------------------------|---------------------------|------------------------|---------------------------|------------------------|
|                            | 30 June<br>2019<br>\$'000 | 30 June<br>2019<br>CPU | 30 June<br>2018<br>\$'000 | 30 June<br>2018<br>CPU |
| <b>Class I</b>             |                           |                        |                           |                        |
| <b>Distributions</b>       |                           |                        |                           |                        |
| April (special)*           | 1,567                     | 22.27                  | -                         | -                      |
| June (payable)             | <u>1,052</u>              | <u>3.17</u>            | <u>1,966</u>              | <u>8.36</u>            |
| <b>Total distributions</b> | <u>2,619</u>              | <u>25.44</u>           | <u>1,966</u>              | <u>8.36</u>            |
| <b>Class S</b>             |                           |                        |                           |                        |
| <b>Distributions</b>       |                           |                        |                           |                        |
| June (payable)             | <u>2</u>                  | <u>4.47</u>            | <u>-</u>                  | <u>-</u>               |
| <b>Total distributions</b> | <u>2</u>                  | <u>4.47</u>            | <u>-</u>                  | <u>-</u>               |
| <b>Total distributions</b> | <u>2,621</u>              | -                      | <u>1,966</u>              |                        |

\*In April 2019, Fund received large redemption requests of over 5% . Upon receipt of these redemptions special distributions were calculated and attributed to the redeeming unit holder and the unit holder was paid out in full.

## 9 Cash and cash equivalents

|  | As at                     |                           |
|--|---------------------------|---------------------------|
|  | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Cash at bank                           | <u>3,713</u>              | <u>1,465</u>              |
| <b>Total cash and cash equivalents</b> | <u>3,713</u>              | <u>1,465</u>              |

These accounts are earning a floating interest rate of between -0.05% and 1.60% as at 30 June 2019 (30 June 2018: 0.00% and 1.14%).

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

|   | Year ended                |                           |
|---|---------------------------|---------------------------|
|   | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| <b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>                                   |                           |                           |
| Profit/(loss) for the year  | -                         | -                         |
| Increase/(decrease) in net assets attributable to unit holders  | 531                       | 1,501                     |
| Distributions to unit holders   | 2,621                     | 1,966                     |
| Proceeds from sale of financial instruments at fair value through profit or loss  | 35,936                    | 9,758                     |
| Purchase of financial instruments at fair value through profit or loss  | (43,921)                  | (18,603)                  |
| Net (gains)/losses on financial instruments at fair value through profit or loss  | (1,963)                   | (2,761)                   |
| Net change in receivables   | (65)                      | (52)                      |
| Net change in payables  | 15                        | (13)                      |
| <b>Net cash inflow/(outflow) from operating activities</b>  | <b><u>(6,846)</u></b>     | <b><u>(8,204)</u></b>     |
| <b>(b) Non-cash operating and financing activities</b>  |                           |                           |
| The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plans. | <u>1,242</u>              | <u>1,525</u>              |
| <b>Total non-cash operating and financing activities</b>  | <b><u>1,242</u></b>       | <b><u>1,525</u></b>       |

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

## 11 Receivables

|                          | As at                     |                           |
|--------------------------|---------------------------|---------------------------|
|                          | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Dividends receivable     | 197                       | 223                       |
| Distributions receivable | 88                        | -                         |
| GST receivable           | 7                         | 4                         |
| <b>Total receivables</b> | <b><u>292</u></b>         | <b><u>227</u></b>         |

## 12 Payables

|   | As at                     |                           |
|---|---------------------------|---------------------------|
|   | 30 June<br>2019<br>\$'000 | 30 June<br>2018<br>\$'000 |
| Management fees payable                 | 6                         | -                         |
| Custody and administration fees payable | 23                        | 14                        |
| <b>Total payables</b>                   | <b><u>29</u></b>          | <b><u>14</u></b>          |

### 13 Remuneration of auditor

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

|   | Year ended      |                 |
|---|-----------------|-----------------|
|   | 30 June<br>2019 | 30 June<br>2018 |
|   | \$              | \$              |
| <b>PricewaterhouseCoopers</b>                             |                 |                 |
| <i>Audit and other assurance services</i>                 |                 |                 |
| Audit and review of financial statements                  | 13,700          | 13,487          |
| Audit of compliance plan                                  | <u>2,751</u>    | <u>2,751</u>    |
| Total remuneration for audit and other assurance services | <u>16,451</u>   | <u>16,238</u>   |
| <i>Taxation services</i>                                  |                 |                 |
| Tax compliance services                                   | <u>11,562</u>   | 11,336          |
| Total remuneration for taxation services                  | <u>11,562</u>   | <u>11,336</u>   |
| <b>Total remuneration of PricewaterhouseCoopers</b>       | <u>28,013</u>   | <u>27,574</u>   |

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

### 14 Related party transactions

The Responsible Entity of T. Rowe Price Australian Equity Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to T. Rowe Price Australia Limited to act as Investment Manager for the Fund, and JPMorgan Chase Bank, N.A. to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

#### (a) Key management personnel

##### (i) Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during the financial year or since the end of the financial year and up to the date of this report.

|                   |                          |
|-------------------|--------------------------|
| Philip D Gentry   | (Chairman)               |
| Harvey H Kalman   |                          |
| Ian C Westley     |                          |
| Michael J O'Brien | (appointed 11 July 2018) |

##### (ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

#### (b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

#### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2019 (30 June 2018: nil).

#### (d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

## 14 Related party transactions (continued)

### (e) Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

### (f) Other transactions within the fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving management personnel's interests existing at year end.

### (g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

|   | Year ended      |                 |
|---|-----------------|-----------------|
|   | 30 June<br>2019 | 30 June<br>2018 |
|   | \$              | \$              |
| Investment Management fees for the year                               | 88,062          | 54,905          |
| Investment Management reimbursements for the year                     | -               | 39,364          |
| Total fees (receivable)/payable to the Investment Manager at year end | 3,208           | (1,652)         |
| Responsible Entity fees for the year                                  | 15,891          | 10,389          |
| Total fees payable to the Responsible Entity at year end              | 2,405           | 1,916           |

For information on how management fees are calculated please refer to the Fund's Product Disclosure Statement.

Investment management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

### (h) Related party unit holdings

Parties related to the Fund including the Responsible Entity, its affiliates or other schemes managed by the Responsible Entity held units in the Fund as follows:

|   | Number<br>of units<br>held<br>opening | Number<br>of units<br>held<br>closing | Fair value of<br>investment<br>\$ | Interest<br>held<br>% | Number<br>of units<br>acquired | Number<br>of units<br>disposed | Distributions<br>paid/<br>payable by<br>the Fund<br>\$ |
|---|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------|--------------------------------|--------------------------------|--|
| <b>Unit holder</b>                      |                                       |                                       |                                   |                       |                                |                                |  |
| <b>As at 30 June 2019</b>               |                                       |                                       |                                   |                       |                                |                                |  |
| <b>T. Rowe Price International Ltd.</b> | 5,377,658                             | 5,729,773                             | 7,509,271                         | 17.23                 | 393,643                        | 41,528                         | 180,270  |
| <b>T. Rowe Price Associates, Inc.</b>   | 7,885,587                             | 1,356,935                             | 1,781,113                         | 4.09                  | 508,427                        | 7,037,079                      | 42,970   |
| <b>As at 30 June 2018</b>               |                                       |                                       |                                   |                       |                                |                                |  |
| T. Rowe Price International Ltd.        | 4,924,968                             | 5,377,658                             | 6,967,294                         | 22.86                 | 452,690                        | -                              | 449,462  |
| T. Rowe Price Associates, Inc.          | 7,220,087                             | 7,885,587                             | 10,216,567                        | 33.52                 | 665,500                        | -                              | 659,074  |



## **14 Related party transactions (continued)**

### **(i) Investments**

The Fund did not hold any investments in the Responsible Entity or its related parties during the year (2018: nil).

## **15 Events occurring after the reporting period**

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Fund for the year ended on that date.

## **16 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2019 and 30 June 2018.

## **Directors' declaration**

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 5 to 23 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 Fund's financial position as at 30 June 2019 and of its performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman  
Melbourne  
23 September 2019



## *Independent auditor's report*

To the unit holders of T. Rowe Price Australian Equity Fund

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### *Our opinion*

In our opinion:

The accompanying financial report of T. Rowe Price Australian Equity Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the statement of financial position as at 30 June 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

### *Independence*

We are independent of the Fund 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.

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### *Other information*

The directors of Equity Trustees Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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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 on the other information that we obtained prior to the date of this auditor's report, 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.

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### *Responsibilities of the directors of the Responsible Entity for the financial report*

The directors of the Responsible Entity of the Fund 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 of the Responsible Entity determines 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 of the Responsible Entity are responsible for assessing the ability of the Fund 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 of the Responsible Entity either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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### *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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

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A handwritten signature in blue ink, appearing to read 'G. Sagonas', is written over the printed name of George Sagonas.

George Sagonas  
Partner

Melbourne  
23 September 2019