

**FORAGER INTERNATIONAL SHARES FUND**

ARSN 161 843 778

**GENERAL PURPOSE FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

## Forager International Shares Fund – ARSN 161 843 778

### Directors' Report

The directors of Fundhost Limited, the Responsible Entity of the Forager International Shares Fund ("the Fund"), present their report together with the financial report of the Fund for the half-year ended 31 December 2017.

#### Directors

The names of the directors of the Responsible Entity in office at any time during or since the end of the half-year are:

Valerie Anne Monge

Paul Ernest Dortkamp

Robert H Nagel

Drew Wilson (appointed 9th November 2017)

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

#### Review of results and operations

There have been no significant changes to the operations of the Fund since the previous financial period. The Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's constitution. The results for the half year are as follows:

	31/12/2017	31/12/2016
	\$'000	\$'000
Operating profit before finance costs	6,281	21,862
Distribution paid and payable	-	-
Distribution (cents per unit)	-	-

#### Rounding off

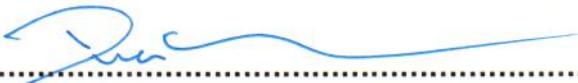
The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, 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 2.

This report is signed in accordance with a resolution of the Board of Directors:

Director

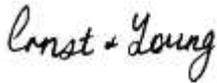
  
.....  
Drew Wilson

Dated this 21st day of February 2018.

## Auditor's Independence Declaration to the Directors of Fundhost Limited

As lead auditor for the review of Forager International Shares Fund for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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



Ernst & Young



Rita Da Silva  
Partner  
Sydney  
21 February 2018

**Forager International Shares Fund – ARSN 161 843 778**

**Statement of Comprehensive Income  
For the Half-Year ended 31 December 2017**

	Note	31/12/2017 \$'000	31/12/2016 \$'000
<b>Investment Income</b>			
Dividend income		871	843
Interest income		59	12
Change in fair value of financial assets held at fair value through profit or loss		6,749	21,758
Net gain from foreign exchange movements		90	244
<b>Total investment income</b>		7,769	22,857
<b>Expenses</b>			
Management fees		1,168	734
Transaction costs		35	144
Other expenses		285	117
<b>Total expenses</b>		1,488	995
<b>Net operating profit before finance costs</b>		6,281	21,862
<b>Finance costs attributable to unitholders</b>			
Distribution to unitholders	4	-	-
<b>Net operating profit after financing costs</b>		6,281	21,862
Other comprehensive income		-	-
<b>Changes in net assets attributable to unitholders</b>	2	6,281	21,862

The accompanying notes form part of these financial statements

**Forager International Shares Fund – ARSN 161 843 778**

**Statement of Financial Position  
As at 31 December 2017**

	Note	31/12/2017 \$'000	30/6/2017 \$'000
<b>Assets</b>			
Cash and cash equivalents		50,378	46,837
Receivables		421	726
Financial assets held at fair value through profit or loss	5	132,614	103,418
<b>Total assets</b>		183,413	150,981
<b>Liabilities</b>			
Payables		2,401	313
Distribution payable	4	-	9,898
Financial liabilities held for trading	5	980	1,197
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		3,381	11,408
<b>Net assets attributable to unitholders</b>		180,032	139,573

The accompanying notes form part of these financial statements

**Forager International Shares Fund – ARSN 161 843 778**

**Statement of Changes in Equity  
For the Half-Year ended 31 December 2017**

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

The accompanying notes form part of these financial statements

**Forager International Shares Fund – ARSN 161 843 778**

**Statement of Cash flows  
For the Half-Year ended 31 December 2017**

	Note	31/12/2017 \$'000	31/12/2016 \$'000
<b>Cash flows from operating activities</b>			
Dividends received		742	707
Interest received		50	12
Management fees paid		(1,138)	(701)
Other expenses paid		(241)	(169)
Net cash used in operating activities		(587)	(151)
<b>Cash flows from investing activities</b>			
Proceeds from sale of financial instruments held at fair value through profit and loss		24,975	29,476
Payment for financial instruments held at fair value through profit and loss		(46,289)	(25,743)
Net cash flow (used in)/provided by investing activities		(21,314)	3,733
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		29,543	11,555
Payments for redemption of units		(1,624)	(3,405)
Distributions paid		(3,060)	(829)
Net cash provided by financing activities		24,859	7,321
Net increase in cash held		2,958	10,903
Cash at beginning of the half year		46,837	7,225
Effect of exchange rate changes on cash and cash equivalents		583	527
<b>Cash at end of the half year</b>		50,378	18,655

The accompanying notes form part of these financial statements

**Notes to the Financial Statements  
For the Half-Year ended 31 December 2017**

**Note 1: Statement of Significant Accounting Policies**

This financial report covers Forager International Shares Fund as an individual entity.

The Forager International Shares Fund (“the Fund”) was constituted as a registered scheme on 21 January 2013.

The responsible entity of the Forager International Shares Fund is Fundhost Limited (ABN 69 092 517 087). The responsible entity's registered office is Suite 1, Level 9, 70 Castlereagh Street, Sydney, NSW 2000.

**a. Basis of preparation**

This interim financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB134: Interim Financial Reporting.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made in respect of Forager International Shares Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Fund is a for-profit unit trust for the purpose of preparing the financial report.

The interim financial report was approved by the Board of Directors of the Responsible Entity on 21st February 2018.

The financial statements have been prepared on the basis of historical costs except for financial assets held at fair value through profit or loss that have been measured at fair value.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting periods, except where otherwise stated.

The financial statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars except where otherwise indicated.

**Statement of compliance**

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

*Use of estimates and judgements*

In the application of accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Notes to the Financial Statements  
For the Half-Year ended 31 December 2017**

**Note 1. Statement of Significant Accounting Policies (cont)**

*Changes in accounting standards*

Since 1 July 2017, the Fund has adopted all mandatory standards and amendments of Australian Accounting Standards. Adoption of these standards and amendments did not have a material impact on the Fund's financial results or reporting.

*New Accounting Standards and Interpretations*

*Australian Accounting Standards issued but not yet effective*

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 31 December 2017. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the Fund's financial results or reporting position, however, they may impact Financial Report disclosures.

*AASB 9 – Financial Instruments*

AASB 9 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Fund from 1 July 2018. The Fund does not intend to early adopt AASB 9 as permitted by the standard. The application of the standard is not expected to change the measurement basis of any of the Fund's current financial instruments. AASB 9 also introduces a new expected loss impairment model, which requires credit losses to be recognised when financial instruments are first recognised, and results in full lifetime expected credit losses recognised on a more timely basis. The Fund does not expect the application of the new impairment requirements to have a material impact on its financial assets not measured at fair value through profit and loss, which includes cash and cash equivalents, deposits with banks and other financial institutions and other receivables.

*AASB 15 - Revenue from Contracts with Customers*

AASB 15 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Fund from 1 July 2018. The Fund does not intend to early adopt AASB 15 as permitted by the standard. The application of the standard is not expected to have a material impact on the Fund.

**Note 2. Net assets attributable to unitholders**

	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>No.'000</b>	<b>No.'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance	89,854	62,432	139,573	86,512
Units issued during the period	18,478	7,789	29,162	11,671
Units redeemed during the period	(1,149)	(2,271)	(1,822)	(3,409)
Distribution reinvested	4,402	1,402	6,838	1,943
Change in net assets attributable to unitholders	-	-	6,281	21,862
Closing balance	<u>111,585</u>	<u>69,352</u>	<u>180,032</u>	<u>118,579</u>

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

**Notes to the Financial Statements  
For the Half-Year ended 31 December 2017**

**Note 3. Fair Value Measurement**

Financial instruments carried at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using 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), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Fund's own data, reflecting the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at the balance date, recorded at fair value by level of the fair value hierarchy:

**31/12/2017**

	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Listed equity securities	130,018	-	-	130,018
Derivative financial liabilities	-	(980)	-	(980)
Unlisted equity securities	-	-	2,596	2,596
<b>Total</b>	<b>130,018</b>	<b>(980)</b>	<b>2,596</b>	<b>131,634</b>

**30/6/2017**

	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Listed equity securities	100,250	-	-	100,250
Derivative financial liabilities	-	(1,197)	-	(1,197)
Unlisted equity securities	-	-	3,168	3,168
<b>Total</b>	<b>100,250</b>	<b>(1,197)</b>	<b>3,168</b>	<b>102,221</b>

## Forager International Shares Fund – ARSN 161 843 778

### Notes to the Financial Statements For the Half-Year ended 31 December 2017

#### Note 3. Fair Value Measurement (cont)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	<b>Level 3</b>	<b>Level 3</b>
	<b>31/12/2017</b>	<b>30/06/2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	3,168	-
Total (losses)/gains – profit and loss	(572)	-
Transfers in to level 3 from level 1	-	3,168
Closing balance	2,596	3,168

*Level 3 investments comprise:*

Winthrop Realty Trust (the Trust), a US property Trust, has gone into liquidation. The Trust was delisted from the NY Stock Exchange as at 1 August 2016. The Manager expects that the Trust will liquidate its remaining assets and return funds to shareholders over the next 12-18 months.

*Valuation process for Level 3 valuations and sensitivity analysis of the significant unobservable inputs*

Valuation of level 3 securities is performed monthly, or when distribution payments are received from the underlying investment.

The manager has determined that it is appropriate to discount the published net tangible asset value of the investment by 12% due to the investment trading at a 12% discount prior to delisting.

There have been no transfers between levels during the period.

#### Note 4. Distributions to unitholders

The Fund distributes annually at 30 June each year, therefore no distributions have been paid during the period (2016: nil).

#### Note 5. Financial assets/liabilities held at fair value through profit or loss

<b>Financial assets</b>	<b>31/12/2017</b>	<b>30/6/2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares in companies listed on international equity markets	132,614	103,418
	132,614	103,418
<b>Financial liabilities</b>		
Held for trading – Derivatives	(980)	(1,197)
	(980)	(1,197)

**Notes to the Financial Statements  
For the Half-Year ended 31 December 2017**

**Note 6. Contingent Assets and Liabilities and Commitments**

There are no contingent assets and liabilities or commitments as at 31 December 2017 and 30 June 2017.

**Note 7. Events Subsequent To Balance Sheet Date**

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Fund, the results of those operations, or the state of affairs of the entity in future financial periods.

**Forager International Shares Fund – ARSN 161 843 778**

**Directors' Declaration**

The Directors of Fundhost Limited, being the Responsible Entity declare that:

- (i) The financial statements and notes, as set out in pages 3 to 11 are in accordance with the Corporations Act 2001, including :
  - a) complying with AASB134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the Fund's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
- (ii) In the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

**Director**



.....  
**Drew Wilson**

Dated this 21st day of February 2018.

## Independent Auditor's Review Report to the unitholders of Forager International Shares Fund

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report Forager International Shares Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the Fundhost Limited as the Responsible Entity of the Fund are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



## Independence

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

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva'.

Rita Da Silva  
Partner  
Sydney  
21 February 2018