Harvest Lane Asset Management Absolute Plus Fund

ABN 37 882 933 240

Annual report
For the year ended 30 June 2021

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This annual report covers Harvest Lane Asset Management Absolute Plus Fund as an individual entity.

The Trustee of Harvest Lane Asset Management Absolute Plus Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Trustee's registered office is:

Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Trustee of Harvest Lane Asset Management Absolute Plus Fund (the "Trust") present their report together with the financial statements of the Trust for the year ended 30 June 2021.

Principal activities

The Trust invests in securities listed predominantly on the Australian Securities Exchange (ASX) as well as contracts for difference (CFD), other derivatives and cash in accordance with the Information Memorandum and the provisions of the Trust Deed.

The Trust did not have any employees during the year.

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

The various service providers for the Trust are detailed below:

Service	**Provider**
Trustee	Fundhost Limited Equity Trustees Limited (Fund Administration Agreement dated 3 June 2021)
Investment Manager	Harvest Lane Asset Management Pty Ltd
Custodian & Prime Broker	National Australia Bank Limited J.P. Morgan Securities plc (Fund Administration Agreement dated 3 June 2021)
Administrator	Fundhost Limited Mainstream Fund Services Pty Ltd (Fund Administration Agreement dated 3 June 2021)
Statutory Auditor	Ernst & Young

Directors

The following persons held office as directors of Fundhost Limited from 1 July 2020 to 2 June 2021:

Valerie Anne Monge
Paul Ernest Dortkamp
Robert H Nagel
Drew Wilson

The following persons held office as directors of Equity Trustees Limited from 3 June 2021 to the date of this report:

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	

Review and results of operations

During the year, the Trust continued to invest its funds in accordance with the Information Memorandum and the provision of the Trust Deed.

The Trust's performance was 49.40% (net of fees) for the year ended 30 June 2021. The Trust's benchmark, the RBA cash rate, returned 0.15% for the same period.

Directors' report (continued)

Review and results of operations (continued)

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

	Year ended	
	30 June 2021	30 June 2020
Profit/(loss) for the year ($)	**2,836,791**	(3,093,682)
Distributions paid and payable ($)	**2,286,737**	-
Distributions (cents per unit)	**38.4693**	-

Significant changes in the state of affairs

During the financial year, the Trust changed its Trustee to Equity Trustees Limited, Custodian and Prime Broker to J.P. Morgan Securities plc and Fund Administrator to Mainstream Fund Services Pty Ltd in a new Fund Administration Agreement dated 3 June 2021.

Effective from 1 July 2020, the Trust's units have been reclassified from financial liability to equity since the Trust satisfies the AMIT tax regime requirements. Refer to Note 1 and Note 6 for further detail.

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

COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Trust’s investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Trustee and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Trust. The Investment Manager however, actively manages the financial risks that the Trust is exposed to, and the Net Asset Values of the Trust continue to be valued in accordance with the frequency set out in the Trust’s Offer Documents, applying valuation policies reflective of the prevailing market conditions.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may have a significant effect on:

i. the operations of the Trust in future financial years; or
ii. the results of those operations in future financial years; or
iii. the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the Information Memorandum and the provisions of the Trust Deed.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust 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.

Directors' report (continued)

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Trust 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 Trust Deed and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

Indemnification of auditor

The Trustee has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Trust against a liability incurred as auditor.

Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in Note 6 to the financial statements.

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

Environmental regulation

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

Rounding of amounts to the nearest dollar

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

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
29 October 2021

Statement of comprehensive income

	Note	Year ended 30 June 2021 $	30 June 2020 $
Investment income			
Interest income from financial assets at amortised cost		**8,037**	2,774
Dividend and distribution income		**370,813**	751,595
Net foreign exchange gain/(loss)		**(794)**	2,973
Net gains/(losses) on financial instruments at fair value through profit or loss		**3,170,656**	(3,481,399)
Other income		**67,527**	6,431
Total investment income/(loss)		**3,616,239**	(2,717,626)
Expenses			
Management fees		**6,799**	-
Performance fees		**552,874**	51,570
Trustee fees		**21,263**	31,884
Custody and administration fees		**58,962**	68,006
Legal and professional fees		**7,320**	11,545
Transaction and brokerage fees		**127,510**	131,334
Other expenses		**4,720**	81,717
Total expenses		**779,448**	376,056
Profit/(loss) for the year		**2,836,791**	(3,093,682)
Finance costs attributable to unit holders			
(Increase)/decrease in net assets attributable to unit holders		**-**	3,093,682
Profit/(loss) for the year		**2,836,791**	-
Other comprehensive income		**-**	-
Total comprehensive income for the year		**2,836,791**	-

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

Statement of financial position

	Note	As at 30 June 2021 $	30 June 2020 $
Assets			
Cash and cash equivalents	8	**458,361**	3,274,569
Receivables	10	**47,164**	2,272
Due from brokers - receivable for securities sold		**315,800**	364,232
Financial assets at fair value through profit or loss	3	**8,852,616**	5,132,152
Total assets		**9,673,941**	8,773,225
Liabilities			
Margin loan		**307,438**	-
Distributions payable	7	**2,286,737**	-
Payables	11	**603,565**	2,567,179
Due to brokers - payable for securities purchased		**141,503**	-
Financial liabilities at fair value through profit or loss	4	**381,055**	90,326
Total liabilities		**3,720,298**	2,657,505
Net assets attributable to unit holders - equity	6	**5,953,643**	-
Net assets attributable to unit holders - liability	6	**-**	6,115,720

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

Statement of changes in equity

	Note	Year ended 30 June 2021 $	30 June 2020 $
Total equity at the beginning of the financial year		**-**	-
Reclassification due to AMIT tax regime implementation*	6	**6,115,720**	-
Comprehensive income for the financial year			
Profit/(loss) for the year		**2,836,791**	-
Other comprehensive income		**-**	-
Total comprehensive income		**2,836,791**	-
Transactions with unit holders			
Applications	6	**67,333**	-
Redemptions	6	**(779,464)**	-
Distributions paid and payable	6	**(2,286,737)**	-
Total transactions with unit holders		**(2,998,868)**	-
Total equity at the end of the financial year		**5,953,643**	-

* Effective from 1 July 2020, the Trust's units have been reclassified from financial liability to equity since the Trust satisfies the AMIT tax regime requirements. Refer to Note 1 and Note 6 for further detail.

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

Statement of cash flows

	Note	Year ended 30 June 2021 $	30 June 2020 $
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**32,936,520**	43,228,560
Payments for purchase of financial instruments at fair value through profit or loss		**(33,005,667)**	(41,930,034)
Margin loan received/(paid)		**307,438**	-
Net gain/(loss) in foreign exchange		**(794)**	-
Interest income received from financial assets at fair value through profit or loss		**6,234**	3,959
Dividends received		**328,687**	761,184
Other income received		**67,527**	6,431
Performance fees paid		**(7,037)**	(51,570)
Custody and administration fees paid		**(58,931)**	(62,334)
Trustee fees paid		**(21,242)**	(28,107)
Transaction and brokerage fees paid		**(127,510)**	(131,334)
Legal and professional fees paid		**(12,954)**	(1,545)
Other expenses paid		**8,989**	(89,498)
Net cash inflow/(outflow) from operating activities	9	**421,260**	1,705,712
Proceeds from applications by unit holders		**67,333**	3,073,171
Payments for redemptions by unit holders		**(3,304,801)**	(4,295,565)
Net cash inflow/(outflow) from financing activities		**(3,237,468)**	(1,222,394)
Net increase/(decrease) in cash and cash equivalents		**(2,816,208)**	483,318
Cash and cash equivalents at the beginning of the year		**3,274,569**	2,791,251
Cash and cash equivalents at the end of the year	8	**458,361**	3,274,569

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

Notes to the financial statements

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1. General information

These special purpose financial statements cover Harvest Lane Asset Management Absolute Plus Fund (the "Trust") as an individual entity. The Trust is an Australian unregistered managed investment scheme which was constituted on 30 January 2013 and will terminate in accordance with the provisions of the Trust Deed or by Law.

The Trustee of the Trust is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the “Trustee”). The Trustee’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 Trust invests in securities listed predominantly on the Australian Securities Exchange (ASX) as well as contracts for difference (CFDs), other derivatives and cash in accordance with the Information Memorandum and the provisions of the Trust Deed.

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. The Trust has made AMIT election effective 1 July 2020.

COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Trust’s investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Trustee and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Trust. The Investment Manager however, actively manages the financial risks that the Trust is exposed to, and the Net Asset Values of the Trust continue to be valued in accordance with the frequency set out in the Trust’s Offer Documents, applying valuation policies reflective of the prevailing market conditions.

The financial statements were authorised for issue by the directors on the date the Directors’ declaration was signed. The directors of the Trustee 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

The Trust is not a reporting entity because, in the directors’ opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors’ reporting requirements under the Trust Deed.

The financial statements have been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), and the following disclosure requirements:

- AASB 101 *Presentation of Financial Statements;*
- AASB 107 *Statement of Cash Flows;*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors;*
- AASB 1048 *Interpretation of Standards;* and
- AASB 1054 *Australian Additional Disclosures*

The Trust is a for-profit entity for the purposes of preparing the financial statements.

2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

i. New and amended standards adopted by the Trust

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

iii. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 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 Trust.

b. Financial instruments

i. Classification

- Financial assets

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

For equity securities and derivatives, 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, receivables and margin accounts, these assets are held in order to collect the contractual cash flows. 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

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

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 (margin loan, due to brokers, distributions payable, management fees payable, administration fees payable, legal fees payable, audit fees payable, tax advisory fees payable, accrued expenses, trustee fees payable, performance fees payable, brokerage fees payable, redemptions payable and other payable).

ii. Recognition and derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the 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 Trust has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

b. Financial instruments (continued)

iii. Measurement

- Financial instruments at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets and 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 within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents, due from brokers and receivables, due to brokers and payables are carried at amortised cost.

iv. Impairment

At each reporting date, the Trust shall estimate loss on allowance on each of the financial assets carried at amortised cost (cash and cash equivalents, 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 Trust 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 the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net 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.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Trust expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

v. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Trust has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

2. Summary of significant accounting policies (continued)

c. Net assets attributable to unit holders

The Trust is an illiquid unlisted Australian unregistered managed investment scheme.

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

The Trust's units are classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation:*

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Trust's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and is not a contract settled in the Trust's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

d. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions 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 represents the Trust's main income generating activity.

e. Margin loans

Margin loans comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

f. Investment income

i. Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities measured at fair value through profit or loss.

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 Trust 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.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

2. Summary of significant accounting policies (continued)

f. Investment income (continued)

ii. Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Trust 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.

g. Expenses

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

h. Income tax

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

i. Distributions

The Trust may distribute its distributable income, in accordance with the Trust Deed, to unit holders by cash. The distributions are recognised in the statement of changes in equity.

j. Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. Where the Trust'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.

k. Foreign currency translation

i. Functional and presentation currency

Balances included in the Trust'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 Trust competes for funds and is regulated. The Australian dollar is also the Trust's presentation currency.

ii. Transactions and balances

Foreign currency transactions 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 Trust does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

l. 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 is recognised initially at fair value and subsequently measured at amortised cost.

2. Summary of significant accounting policies (continued)

m. Receivables

Receivables may include amounts for dividends receivable, interests receivable on bonds, GST receivable and other receivables. 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.

n. Payables

Payables include liabilities and accrued expenses owed by the Trust and any distributions declared which are unpaid as at the end of the 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.

o. Applications and redemptions

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. No exit fees are charged. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

p. Goods and services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as custodial services and investment management fees have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%; hence investment management fees, custodial fees and 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.

q. Use of estimates and judgements

The Trust makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements 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 the majority of the Trust's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Trust estimates that the resultant expected credit loss (ECL) derived from using impairment model, has not materially impacted the Trust.

r. Rounding of amounts

The Trust 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 dollar unless otherwise indicated.

s. 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 assets at fair value through profit of loss

	As at	
	30 June 2021 $	30 June 2020 $
Listed equity securities	**8,515,216**	4,979,323
Unlisted equity securities	**203,015**	-
Unlisted fixed interest	**110,072**	-
Preference shares	**-**	60,000
Convertible notes	**-**	92,829
Contract for differences	**24,313**	-
Total financial assets at fair value through profit or loss	**8,852,616**	5,132,152

4. Financial liabilities at fair value through profit of loss

	As at	
	30 June 2021 $	30 June 2020 $
Contract for differences	**381,055**	90,326
Total financial liabilities at fair value through profit or loss	**381,055**	90,326

5. Derivative financial instruments

In the normal course of business, the Trust enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Trust's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trust against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trust.

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage may be incurred when it is believed that is advantageous to increase the investment capacity of a Trust or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for a Trust, but it also may magnify losses. The use of derivatives may also create leverage risk.

The Trust holds contract for differences (CFDs) as derivatives. CFDs are primarily used by the Trust to hedge against market movements from trading securities. CFDs are valued at the prevailing bid price at the reporting date less cost. The Trust recognises a gain or loss equal to the change in fair value at the reporting date.

5. Derivative financial instruments (continued)

The Trust's derivative financial instruments measured at fair value at year end are detailed below:

	As at	
	30 June 2021 $	30 June 2020 $
Contract for differences (as financial assets)	**24,313**	-
Contract for differences (as financial liabilities)	**(381,055)**	(90,326)
Total derivatives	**(356,742)**	(90,326)

6. Net assets attributable to unit holders

The Trust shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Movements in the net assets attributable to unit holders during the year were as follows:

	Year ended		Year ended	
	30 June 2021 Units	**30 June 2021 $**	30 June 2020 Units	30 June 2020 $
Opening balance	**6,588,597**	**6,115,720**	10,953,148	13,005,871
Applications	**62,636**	**67,333**	2,464,886	3,023,771
Redemptions	**(706,919)**	**(779,464)**	(6,829,437)	(6,820,240)
Increase/(decrease) in net assets attributable to unit holders	**-**	**-**	-	(3,093,682)
Distributions payable	**-**	**(2,286,737)**	-	-
Profit/(loss) for the year	**-**	**2,836,791**	-	-
Closing balance *	**5,944,314**	**5,953,643**	6,588,597	6,115,720

* Net assets attributable to unit holders are classified as equity at 30 June 2021 and as financial liability at 30 June 2020. Refer to Note 1 for further details.

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right in the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

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.

Capital risk management

The Trust 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 monthly basis as the Trust is subject to monthly applications and redemptions at the discretion of unit holders.

Monthly applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a monthly basis by the Trustee. Under the terms of the Trust Deed, the Trustee 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.

7. Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2021 $	**30 June 2021 CPU**	30 June 2020 $	30 June 2020 CPU
Distributions				
June (payable)	**2,286,737**	**38.4693**	-	-
Total distributions	**2,286,737**	**38.4693**	-	-

8. Cash and cash equivalents

	As at	
	30 June 2021 $	30 June 2020 $
Cash at bank	**458,361**	3,274,569
Total cash and cash equivalents	**458,361**	3,274,569

9. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2021 $	30 June 2020 $
Profit/(loss) for the year	**2,836,791**	-
Increase/(decrease) in net assets attributable to unit holders	**-**	(3,093,682)
Proceeds from sale of financial instruments at fair value through profit or loss	**32,936,520**	43,225,587
Payments for purchase of financial instruments at fair value through profit or loss	**(33,005,667)**	(41,930,163)
Margin loan received/(paid)	**307,438**	-
Net (gains)/losses on financial instruments at fair value through profit or loss	**(3,170,656)**	3,481,399
Net change in receivables	**(44,892)**	10,826
Net change in payables	**561,726**	11,745
Net cash inflow/(outflow) from operating activities	**421,260**	1,705,712

10. Receivables

	As at	
	30 June 2021 $	30 June 2020 $
Dividends receivable	**42,382**	256
Interests receivable on bonds	**3,219**	1,416
GST receivable	**963**	600
Other receivables	**600**	-
Total receivables	**47,164**	2,272

11. Payables

	As at	
	30 June 2021 $	30 June 2020 $
Management fees payable	**6,799**	-
Administration fees payable	**6,687**	6,656
Legal fees payable	**4,366**	10,000
Audit fees payable	**-**	6,000
Tax advisory fees payable	**-**	4,000
Accrued expenses	**13,987**	-
Trustee fees payable	**4,467**	4,446
Performance fees payable	**545,837**	-
Brokerage fees payable	**2,000**	2,000
Redemptions payable	**-**	2,525,340
Other payable	**19,422**	8,737
Total payables	**603,565**	2,567,179

12. Remuneration of auditor

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

	Year ended	
	30 June 2021 $	30 June 2020 $
Ernst & Young		
Audit and other assurance services		
Audit of financial statements	**8,000**	7,800
Total auditor remuneration and other assurance services	**8,000**	7,800
Taxation services		
Tax compliance services	**8,050**	8,050
Total remuneration for taxation services	**8,050**	8,050
Total remuneration for Ernst & Young	**16,050**	15,850

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

13. 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 Trust disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Trust for the year ended on that date.

14. Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

Directors' declaration

In the opinion of the directors of the Trustee:

(a) The financial statements and notes set out on pages 6 to 19:

   i. comply with Australian Accounting Standards and other mandatory professional reporting requirements, to the extent outlined in Note 2 to the financial statements; and

   ii. give a true and fair view of the Trust's financial position as at 30 June 2021 and of its performance for the year ended on that date.

(b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and

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
29 October 2021

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Independent Auditor's Report to the Unit Holders of Harvest Lane Asset Management Absolute Plus Fund

Opinion

We have audited the financial report, being a special purpose financial report, of Harvest Lane Asset Management Absolute Plus Fund (the Fund), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Fund as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting requirements of the Trust Deed.

Basis for Opinion

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

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 2 to the financial statements which describes the basis of accounting. The financial report is prepared to assist the Fund to meet the requirements of the Trust Deed. As a result the financial report may not be suitable for another purpose. Our report is intended solely for the Fund and unit holders (collectively the Recipients) and should not be distributed to parties other than the Recipients. Our opinion is not modified in respect of this matter.

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

The directors of the Responsible Entity are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors of the Responsible Entity for the Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 2 to the financial statements is appropriate to meet the requirements of the Trust Deed and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

Ernst & Young

Ernst & Young
Melbourne
29 October 2021