

# **Pentalpha Income for Life Fund**

ARSN 616 927 318

## **Special purpose financial report**

**For the period 1 July 2020 to 11 June 2021**

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This special purpose financial report covers Pentalpha Income for Life Fund as an individual entity.

The Responsible Entity of Pentalpha Income for Life 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 Pentalpha Income for Life Fund (the "Fund"), present their report together with the financial statements of the Fund for the period 1 July 2020 to 11 June 2021.

### Principal activities

Until its termination on 11 June 2021, the Fund invested in actively managed, high conviction, income focused, long only, tax aware and risk averse Australian share portfolio, including listed Australian shares and exchange traded options, in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

During the period, all assets of the Fund were liquidated and returned to unit holders.

The Fund did not have any employees during the period.

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

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Pentalpha Investment Management Pty Ltd
Custodian and Administrator	Link Fund Solutions Pty Limited
Statutory Auditor	Deloitte Touche Tohmatsu

### Directors

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

Philip D Gentry (Chairman)  
Harvey H Kalman (resigned 1 September 2020)  
Ian C Westley (resigned 3 July 2020)  
Michael J O'Brien  
Russell W Beasley (appointed 1 September 2020)

### Review and results of operations

This is the final financial statements for the Fund, which has terminated.

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

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

	<b>For the period 1 July 2020 to 11 June 2021</b>	<b>Year ended 30 June 2020</b>
Profit/(loss) before finance costs attributable to unit holders for the period (\$)	<b>(422,882)</b>	<b>(743,115)</b>

**Review and results of operations (continued)**

	<b>For the period 1 July 2020 to 11 June 2021</b>	<b>Year ended 30 June 2020</b>
<b><i>PENAILF - Foundation class</i></b>		
Distributions paid and payable (\$)	<b>191,858</b>	725,447
Distributions (cents per unit)	<b>3.7069</b>	4.5024
<b><i>PENAILF - Ordinary class</i></b>		
Distributions paid and payable (\$)	<b>138,330</b>	117,913
Distributions (cents per unit)	<b>3.9740</b>	4.5276

**Significant changes in the state of affairs**

Ian C Westley resigned as a director of Equity Trustees Limited on 3 July 2020.

Harvey H Kalman resigned as a director of Equity Trustees Limited on 1 September 2020.

Russell W Beasley was appointed as a director of Equity Trustees Limited on 1 September 2020.

The Fund terminated on 11 June 2021 when all unit holders' entitlements were redeemed.

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 period 1 July 2020 to 11 June 2021.

**Matters subsequent to the end of the financial period**

No matter or circumstance has arisen since 11 June 2021 that has significantly affected, or may have a significant effect on:

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

**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.

**Interests in the Fund**

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

The value of the Fund'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 Fund 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  
9 September 2021

**Pentalpha Income for Life Fund**  
**Statement of comprehensive income**  
**For the period 1 July 2020 to 11 June 2021**

**Statement of comprehensive income**

		For the period 1 July 2020 to 11 June 2021	Year ended 30 June 2020
	Note	\$	\$
<b>Investment income</b>			
Interest income from financial assets at amortised cost		-	3,632
Dividend and distribution income		367,118	918,701
Net gains/(losses) on financial instruments at fair value through profit or loss		(723,176)	(1,510,551)
Expense reimbursement income		198,330	234,946
Other income		926	-
<b>Total investment income/(loss)</b>		<b>(156,802)</b>	<b>(353,272)</b>
<b>Expenses</b>			
Management fees		123,492	202,951
Custody and administration fees		106,300	134,405
Transaction costs		10,374	13,819
Remuneration of auditor	12	17,259	22,238
Other expenses		8,655	16,430
<b>Total expenses</b>		<b>266,080</b>	<b>389,843</b>
<b>Profit/(loss) before finance costs attributable to unit holders for the period</b>		<b>(422,882)</b>	<b>(743,115)</b>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	7	(330,188)	(843,360)
(Increase)/decrease in net assets attributable to unit holders	6	753,070	1,586,475
<b>Profit/(loss) for the period</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>

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

**Pentalpha Income for Life Fund**  
**Statement of financial position**  
**As at 11 June 2021**

**Statement of financial position**

		<b>As at</b>	
	<b>11 June</b>		<b>30 June</b>
	<b>2021</b>		<b>2020</b>
	<b>\$</b>		<b>\$</b>
	Note		
<b>Assets</b>			
Cash and cash equivalents	8	-	4,981,801
Receivables	10	-	59,388
Financial assets at fair value through profit or loss	3	-	10,071,040
Margin accounts		-	156,547
<b>Total assets</b>		-	15,268,776
<b>Liabilities</b>			
Distributions payable	7	-	319,884
Payables	11	-	39,098
Financial liabilities at fair value through profit or loss	4	-	7,000
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		-	365,982
<b>Net assets attributable to unit holders - liability</b>	6	-	14,902,794

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

**Pentalpha Income for Life Fund**  
**Statement of changes in equity**  
**For the period 1 July 2020 to 11 June 2021**

**Statement of changes in equity**

	<b>For the period 1 July 2020 to 11 June 2021 \$</b>	<b>Year ended 30 June 2020 \$</b>
<b>Total equity at the beginning of the financial period</b>	-	-
Profit/(loss) for the period	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Total transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial period*</b>	-	-

\* 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 period.

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

**Pentalpha Income for Life Fund**  
**Statement of cash flows**  
For the period 1 July 2020 to 11 June 2021

**Statement of cash flows**

	For the period 1 July 2020 to 11 June 2021	Year ended 30 June 2020
Note	\$	\$
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	16,244,017	23,783,026
Payments for purchase of financial instruments at fair value through profit or loss	(6,903,153)	(14,258,340)
Net movement in margin accounts	156,547	993,090
Interest income received from financial assets at amortised cost	-	4,232
Dividends and distributions received	398,618	1,008,241
Expense reimbursement fees received	207,755	359,215
Other income received	926	-
Management fees paid	(139,978)	(319,938)
Custody and administration fees paid	(120,639)	(141,738)
Transaction costs paid	(10,374)	(13,819)
Other expenses paid	(15,724)	(39,141)
<b>Net cash inflow/(outflow) from operating activities</b>	9(a) <b>9,817,995</b>	11,374,828
<b>Cash flows from financing activities</b>		
Proceeds from applications by unit holders	1,083,000	3,890,581
Payments for redemptions by unit holders	(15,299,321)	(10,141,287)
Distributions paid to unit holders	(583,475)	(995,613)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(14,799,796)</b>	(7,246,319)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4,981,801)</b>	4,128,509
Cash and cash equivalents at the beginning of the period	4,981,801	853,292
<b>Cash and cash equivalents at the end of the period</b>	8 <b>-</b>	4,981,801
Non-cash operating and financing activities	9(b) <b>66,597</b>	131,914

*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 Pentalpha Income for Life Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 20 January 2017. The Fund terminated its operations on 11 June 2021 when all assets of the Fund were realised and all units were redeemed out of the Fund.

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.

Until its termination on 11 June 2021, the Fund invested in actively managed, high conviction, income focused, long only, tax aware and risk averse Australian share portfolio, including listed Australian shares and exchange traded options, in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

During the period, all unit holders' entitlements were redeemed.

The special purpose 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 special purpose 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 periods presented, unless otherwise stated in the following text.

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

The Fund 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 Fund's Constitution.

As the Fund was terminated on 11 June 2021, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a liquidation basis. The liquidation basis means assets have been written down to the lower of their carrying amounts and net realisable value and additional liabilities have been recognised to the extent there was a present obligation at the reporting date. The accounting policies set below have been applied within this context. As there were no assets or liabilities at the reporting date, adopting the liquidation basis did not change the carrying amounts of any assets or liabilities.

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), the *Corporations Act 2001* in Australia, 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 Fund is a for-profit entity for the purposes of preparing the financial statements.

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

### **(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 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, dividends receivable, GST receivable and management fee reimbursement receivable, 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

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 (distributions payable, management fees payable and other payables).

#### *(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 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 Fund has transferred substantially all the risks and rewards of ownership. 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.

#### *(iii) Measurement*

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset and a financial liability at its fair value. Transaction costs of financial assets and financial 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.

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

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

#### *(iii) Measurement (continued)*

- 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, receivables and margin accounts are carried at amortised cost.

#### *(iv) Impairment*

At each reporting date, the Fund shall estimate a loss allowance on financial assets carried at amortised cost (cash and cash equivalents 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 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 Fund 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 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 Fund 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, other than options.

### **(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 are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Fund's Constitution.

The units can be put back to the Fund at any time for cash based on the 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.

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

### **(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 Fund's main income generating activity.

### **(e) Margin accounts**

Margin accounts comprise cash held as collateral for derivative transactions. 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.

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.

### **(g) Expenses**

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

### **(h) 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.

### **(i) Distributions**

The Fund may distribute 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.

### **(j) Increase/decrease in net assets attributable to unit holders**

Income not distributed is included in net assets attributable to unit holders. As 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.

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

### **(k) 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.

### **(l) Receivables**

Receivables may include amounts for interest and 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 owed by the Fund which are unpaid as at the end of the reporting period.

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

The Fund usually distributes income quarterly towards the end of September, December, March and June.

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 period.

### **(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 Trust 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 and judgements**

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial period. 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 Fund's financial instruments, quoted market prices are readily available.

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

### **(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 dollar unless otherwise indicated.

## 2 Summary of significant accounting policies (continued)

### (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 period.

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

	As at	
	11 June	30 June
	2021	2020
	\$	\$
Options	-	1,108,820
Australian listed equity securities	-	8,962,220
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>10,071,040</b>

## 4 Financial liabilities at fair value through profit or loss

	As at	
	11 June	30 June
	2021	2020
	\$	\$
Options	-	7,000
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>7,000</b>

## 5 Derivative financial instruments

In the normal course of business the Fund 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 Fund'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 Fund against a fluctuation in market values 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 Fund.

## 5 Derivative financial instruments (continued)

### Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The Fund did not hold any derivative financial instruments as at period ended 11 June 2021. The Fund's derivative financial instruments measured at fair value at prior year end are detailed below:

	Contractual/ notional \$	Assets \$	Liabilities \$
As at 30 June 2020			
Options	1,935,830	1,108,820	7,000
Total derivatives	1,935,830	1,108,820	7,000

## 6 Net assets attributable to unit holders - liability

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

	For the period		Year ended	
	1 July 2020 to 11 June 2021	1 July 2020 to 11 June 2021	30 June 2020	30 June 2020
	Units	\$	Units	\$
<b>PENAILF - Foundation class</b>				
Opening balance	14,977,712	12,480,621	22,990,882	21,121,197
Applications	-	-	190,490	176,874
Redemptions	(15,026,198)	(12,005,956)	(8,305,323)	(7,594,311)
Reinvestment of distributions	48,486	39,786	101,663	93,157
Increase/(decrease) in net assets attributable to unit holders	-	(514,451)	-	(1,316,296)
<b>Closing balance</b>	-	-	14,977,712	12,480,621
 <b>PENAILF - Ordinary class</b>				
Opening balance	2,916,245	2,422,173	1,456,936	1,336,863
Applications	1,321,180	1,083,000	4,295,294	3,863,707
Redemptions	(4,270,202)	(3,293,365)	(2,878,398)	(2,546,976)
Reinvestment of distributions	32,777	26,811	42,413	38,758
Increase/(decrease) in net assets attributable to unit holders	-	(238,619)	-	(270,179)
<b>Closing balance</b>	-	-	2,916,245	2,422,173

## 6 Net assets attributable to unit holders - liability (continued)

	For the period 1 July 2020 to 11 June 2021 \$	Year ended 30 June 2020 \$
<b>Total net assets attributable to unit holders</b>	-	14,902,794

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

There are two separate classes of units. Each unit within the same class has the same rights as all other units within that class and each unit class has a different management fee rate.

## 7 Distributions to unit holders

The distributions declared during the period were as follows:

	For the period 1 July 2020 to 11 June 2021 \$	For the period 1 July 2020 to 11 June 2021 CPU	Year ended 30 June 2020 \$	Year ended 30 June 2020 CPU
<b>PENAILF - Foundation class</b>				
<b>Distributions</b>				
September	86,515	0.8125	175,325	0.9489
December	30,129	0.8175	152,716	0.9110
March	-	-	130,395	0.8598
April (final distribution)	75,214	2.0769	-	-
June (payable)	-	-	267,011	1.7827
<b>Total distributions</b>	<b>191,858</b>	<b>3.7069</b>	<b>725,447</b>	<b>4.5024</b>

### PENAILF - Ordinary class

<b>Distributions</b>				
September	27,287	0.8093	25,203	0.9476
December	31,964	0.8139	21,378	0.9093
March	-	-	18,459	0.8577
April (final distribution)	79,079	2.3508	-	-
June (payable)	-	-	52,873	1.8130
<b>Total distributions</b>	<b>138,330</b>	<b>3.9740</b>	<b>117,913</b>	<b>4.5276</b>

	For the period 1 July 2020 to 11 June 2021 \$	Year ended 30 June 2020 \$
<b>Total distributions</b>	<b>330,188</b>	<b>843,360</b>

## 8 Cash and cash equivalents

	As at	
	11 June 2021	30 June 2020
	\$	\$
Cash at bank	-	4,981,801
<b>Total cash and cash equivalents</b>	<b>-</b>	<b>4,981,801</b>

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

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

	For the period 1 July 2020 to 11 June 2021	Year ended 30 June 2020
	\$	\$
Profit/(loss) for the period	-	-
Increase/(decrease) in net assets attributable to unit holders	(753,070)	(1,586,475)
Distributions to unit holders	330,188	843,360
Proceeds from sale of financial instruments at fair value through profit or loss	16,244,017	23,783,026
Payments for purchase of financial instruments at fair value through profit or loss	(6,903,153)	(14,258,340)
Net (gains)/losses on financial instruments at fair value through profit or loss	723,176	1,510,551
Net change in margin accounts	156,547	993,090
Net change in receivables	59,388	215,645
Net change in payables	(39,098)	(126,029)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>9,817,995</b>	<b>11,374,828</b>

### (b) Non-cash operating and financing activities

The following purchase of investments were satisfied by the participation in dividend and distribution reinvestment plans	66,597	131,914
<b>Total non-cash operating and financing activities</b>	<b>66,597</b>	<b>131,914</b>

As described in Note 2(j), income not distributed is included in net assets attributable to unit holders. The change in this amount for the period (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.

**Pentalpha Income for Life Fund**  
**Notes to the financial statements**  
For the period 1 July 2020 to 11 June 2021  
(continued)

## 10 Receivables

	<b>As at</b>	
	<b>11 June</b>	<b>30 June</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Dividends receivable	-	31,500
GST receivable	-	18,463
Management fee reimbursement receivable	-	9,425
<b>Total receivables</b>	<b>-</b>	<b>59,388</b>

## 11 Payables

	<b>As at</b>	
	<b>11 June</b>	<b>30 June</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Management fees payable	-	16,486
Other payables	-	22,612
<b>Total payables</b>	<b>-</b>	<b>39,098</b>

## 12 Remuneration of auditor

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

	<b>For the period</b>	<b>Year ended</b>
	<b>1 July 2020</b>	<b>30 June</b>
	<b>to 11 June 2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Deloitte Touche Tohmatsu</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	<b>8,000</b>	9,633
Audit of compliance plan	-	5,000
Total auditor remuneration and other assurance services	<b>8,000</b>	14,633
<i>Taxation services</i>		
Tax compliance services	<b>9,259</b>	7,605
Total remuneration for taxation services	<b>9,259</b>	7,605
<b>Total remuneration of Deloitte Touche Tohmatsu</b>	<b>17,259</b>	22,238

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

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

No significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 11 June 2021 or on the results and cash flows of the Fund for the period ended on that date.

### **14 Contingent assets and liabilities and commitments**

There were no outstanding contingent assets, liabilities or commitments as at 11 June 2021 and 30 June 2020.

### **Directors' declaration**

As stated in Note 2(a) of the financial statements, the Fund 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 Fund's Constitution.

In the opinion of the directors of the Responsible Entity:

- (a) The special purpose financial statements and notes set out on pages 5 to 20:
  - (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 Fund's financial position as at 11 June 2021 and of its performance for the financial period ended on that date.
- (b) As outlined in Note 1 to the financial statements, the Fund terminated its operations on 11 June 2021 and all units redeemed out of the Fund.

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  
9 September 2021

# Independent Auditor's Report to the Directors of the Responsible Entity of Pentalpha Income for Life Fund

## *Opinion*

We have audited the financial report, being a special purpose financial report, of Pentalpha Income for Life Fund (the "Fund") which comprises the statement of financial position as at 11 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statement, including a summary of significant accounting policies and other explanatory information, and the Director's declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Fund's financial position as at 11 June 2021 and of its financial performance and its cash flows for the period then ended in accordance with the accounting policies described in Note 2.

## *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* (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 and Use*

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Directors of the Responsible Entity to meet their financial reporting requirements. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Responsible Entity and should not be distributed or used by parties other than the Responsible Entity. Our opinion is not modified in respect of this matter.

## *Other Information*

The Directors are responsible for the other information. The other information comprises the Director's report for the period ended 11 June 2021, 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 we do not express any form of assurance conclusion thereon.

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

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

## *Responsibilities of the Directors for the Financial Report*

The Directors are responsible for the preparation and fair presentation of the financial report and has determined that the basis of preparation described in Note 2 to the financial report, which includes the non-going concern basis of accounting, is appropriate to meet the reporting needs of the Responsible Entity. Director's responsibility also includes such internal control as they 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 ability of the Scheme to continue as a going concern. As disclosed in Note 2, the financial report has been prepared on a non-going concern basis because management has resolved to wind up the entity.

The Directors are responsible for overseeing the Fund's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Financial Report*

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Responsible Entity.
- Conclude on the appropriateness of the Directors use of the non-going concern basis of accounting. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Chester Hii", with a long, sweeping horizontal stroke and a vertical line extending downwards from the end.

Chester Hii  
Partner  
Chartered Accountants

Melbourne, 9 September 2021