

EQT Funds

Annual report

For the year ended 30 June 2018

This financial report covers the following EQT Funds:

EQT Flagship Fund (registered as Common Fund No 2)

ARSN 107 872 622

EQT Wholesale Flagship Fund

ARSN 107 854 026

EQT Australian Equity Income Fund

ARSN 167 772 830

EQT Funds

Annual report

For the year ended 30 June 2018

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This annual report covers the following Funds as individual entities:

EQT Flagship Fund (registered as Common Fund No 2)

EQT Wholesale Flagship Fund

EQT Australian Equity Income Fund

The Responsible Entity of the Funds 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 the EQT Funds (the "Funds"), present their report together with the financial statements of the following Funds for the year ended 30 June 2018.

EQT Flagship Fund (registered as Common Fund No 2)

EQT Wholesale Flagship Fund

EQT Australian Equity Income Fund

The Funds are collectively known as "EQT Funds".

Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Funds' current Product Disclosure Statement and Constitution.

The Funds did not have any employees during the year.

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

The various service providers for the Funds are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Equity Trustees Limited
Custodian and Administrator	State Street Australia 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 year and up to the date of this report:

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

Directors' report (continued)

Review and results of operations

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

The Funds' performance and Funds' benchmark return for the year ended 30 June 2018 were as follows:

Fund name	Benchmark	Net return (net of fees)	Benchmark return
EQT Flagship Fund	S&P/ASX 200 Accumulation Index	10.87%	13.01%
EQT Wholesale Flagship Fund	S&P/ASX 200 Accumulation Index	11.52%	13.01%
EQT Australian Equity Income Fund	S&P/ASX 200 Accumulation Index	1.38%	13.01%

The performance of the Funds, as represented by the results of their operations, was as follows:

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	Year ended		Year ended		Year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Operating profit/(loss) for the year (\$'000)	36,445	27,278	10,641	33,967	904	6,066
Distributions paid and payable (\$'000)	11,380	16,149	3,390	29,442	2,816	5,499
Distributions (cents per unit)	5.97	9.83	4.14	16.66	5.90	12.01

Significant changes in the state of affairs

The Funds have amended their Constitutions to change the obligation to distribute trust income to unit holders effective 1 July 2017 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

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

Directors' report (continued)

Matters subsequent to the end of the financial year

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

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may have a significant effect on:

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

Likely developments and expected results of operations

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

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

Indemnification and insurance of officers

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

Indemnification of auditor

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

Fees paid to and interests held in the Funds by the Responsible Entity and its associates

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

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

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

Interests in the Funds

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

The value of the Funds' 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.

Directors' report (continued)

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Financial statements presentation

The Funds are entities of the kind referred to in *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* and in accordance with that Instrument, Funds with a common Responsible Entity (or related Responsible Entities) can include their financial reports in adjacent columns in a single set of financial reports.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited.



Philip D Gentry
Chairman

Melbourne
30 August 2018

30 August 2018

The Board of Directors
Equity Trustees Limited
Level 1, 575 Bourke Street
MELBOURNE VIC 3000

Dear Board Members,

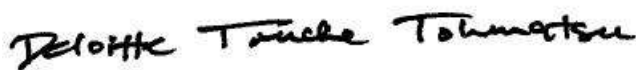
Independence Declaration – EQT Funds

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial reports of EQT Australian Equity Income Fund, EQT Flagship Fund (registered as Common Fund No 2) and EQT Wholesale Flagship Fund (collectively the "EQT Funds" or the "Funds").

As lead audit partner for the audits of the financial statements of the Funds for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Chester Hii
Partner
Chartered Accountants

Statements of comprehensive income

	Note	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
		Year ended		Year ended		Year ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income							
Interest income		37	20	3	12	2	3
Dividend and distribution income		14,388	11,174	4,096	12,936	3,536	3,416
Net foreign exchange gain/(loss)		(1)	(1)	1	(1)	-	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	25,696	19,306	7,312	23,641	(2,011)	3,288
Other income		-	18	-	6	-	4
Total investment income/(loss)		40,120	30,517	11,412	36,594	1,527	6,711
Expenses							
Management fees	14	3,164	2,470	579	1,887	495	526
Custody and administration fees		169	131	48	143	34	34
Withholding taxes		31	47	9	34	-	-
Transaction costs		229	553	73	532	39	61
Other expenses		82	38	62	31	55	24
Total expenses		3,675	3,239	771	2,627	623	645
Operating profit/(loss) for the year		36,445	27,278	10,641	33,967	904	6,066
Finance costs attributable to unit holders							
Distributions to unit holders*	8	-	(16,149)	-	(29,442)	-	(5,499)
(Increase)/decrease in net assets attributable to unit holders	7	-	(11,129)	-	(4,525)	-	(567)
Profit/(loss) for the year	7	36,445	-	10,641	-	904	-
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		36,445	-	10,641	-	904	-

* Net assets attributable to unit holders are reclassified from liabilities to equity from 1 July 2017. As a result, the Fund's distributions are no longer classified as finance costs in the statement of comprehensive income, but rather as distributions paid and payable in the statement of changes in equity. Refer to Note 1 and Note 7 for further detail.

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

Statements of financial position

	Note	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
		As at		As at		As at	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and cash equivalents	9	7,300	7,030	1,745	1,741	2,256	1,934
Receivables	11	3,253	2,865	887	862	848	809
Financial assets held at fair value through profit or loss	6	355,989	294,561	97,923	89,679	65,328	68,148
Total assets		366,542	304,456	100,555	92,282	68,432	70,891
Liabilities							
Distributions payable	8	2,649	9,192	742	2,709	203	3,014
Payables	12	880	232	40	52	32	72
Total liabilities (30 June 2017: excluding net assets attributable to unit holders)		3,529	9,424	782	2,761	235	3,086
Net assets attributable to unit holders - liability*	7	-	295,032	-	89,521	-	67,805
Net assets attributable to unit holders - equity*	7	363,013	-	99,773	-	68,197	-

* Net assets attributable to unit holders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further detail.

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

Statements of changes in equity

	Note	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
		Year ended		Year ended		Year ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year		-	-	-	-	-	-
Reclassification due to AMIT tax regime implementation*	7	295,032	-	89,521	-	67,805	-
Comprehensive income for the year							
Profit/(loss) for the year		36,445	-	10,641	-	904	-
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		<u>36,445</u>	<u>-</u>	<u>10,641</u>	<u>-</u>	<u>904</u>	<u>-</u>
Transactions with unit holders							
Applications	7	46,074	-	8,342	-	2,537	-
Redemptions	7	(6,421)	-	(5,404)	-	(267)	-
Reinvestment of distributions	7	3,263	-	63	-	34	-
Distributions paid and payable	7	(11,380)	-	(3,390)	-	(2,816)	-
Total transactions with unit holders		<u>31,536</u>	<u>-</u>	<u>(389)</u>	<u>-</u>	<u>(512)</u>	<u>-</u>
Total equity at the end of the financial year*		<u>363,013</u>	<u>-</u>	<u>99,773</u>	<u>-</u>	<u>68,197</u>	<u>-</u>

* Effective from 1 July 2017, the Funds' units have been reclassified from financial liability to equity. Refer to Note 1 and Note 7 for further detail. As a result, equity transactions, including distributions have been disclosed in the above statement for the year ended 30 June 2018.

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

Statements of cash flows

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	Year ended		Year ended		Year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities						
Proceeds from sale of financial instruments held at fair value through profit or loss	26,562	50,965	13,531	76,951	7,881	12,547
Purchase of financial instruments held at fair value through profit or loss	(62,294)	(168,821)	(14,463)	(132,511)	(7,072)	(18,712)
Net foreign exchange gain/(loss)	(1)	(1)	1	(1)	-	-
Interest income received	37	18	3	13	2	3
Dividends and distributions received	13,953	10,122	4,054	18,084	3,479	3,417
Other income received	-	18	-	6	-	4
Management fees paid	(3,138)	(2,424)	(588)	(2,202)	(517)	(541)
Custody and administration fees paid	(177)	(100)	(51)	(155)	(35)	(28)
Other expenses paid	(312)	(611)	(133)	(529)	(93)	(84)
Net cash inflow/(outflow) from operating activities	10(a) <u>(25,370)</u>	<u>(110,834)</u>	<u>2,354</u>	<u>(40,344)</u>	<u>3,645</u>	<u>(3,394)</u>
Cash flows from financing activities						
Proceeds from applications by unit holders	46,074	128,296	8,342	62,284	2,537	6,693
Payments for redemptions by unit holders	(5,774)	(2,640)	(5,398)	(6,770)	(267)	(81)
Distributions paid to unit holders	(14,660)	(12,029)	(5,294)	(23,584)	(5,593)	(3,080)
Net cash inflow/(outflow) from financing activities	<u>25,640</u>	<u>113,627</u>	<u>(2,350)</u>	<u>31,930</u>	<u>(3,323)</u>	<u>3,532</u>
Net increase/(decrease) in cash and cash equivalents	270	2,793	4	(8,414)	322	138
Cash and cash equivalents at the beginning of the year	<u>7,030</u>	<u>4,237</u>	<u>1,741</u>	<u>10,155</u>	<u>1,934</u>	<u>1,796</u>
Cash and cash equivalents at the end of the year	9 <u>7,300</u>	<u>7,030</u>	<u>1,745</u>	<u>1,741</u>	<u>2,256</u>	<u>1,934</u>
Non-cash operating and financing activities	10(b) 3,263	694	63	530,144	34	18

The above statements 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 financial statements cover the below Funds (the “Funds”) as individual entities. The Funds are Australian registered managed investment schemes which were constituted on the dates in the below table and will terminate in accordance with the provisions of the Funds’ Constitution or by Law.

EQT Flagship Fund	1 August 2003
EQT Wholesale Flagship Fund	30 January 2004
EQT Australian Equity Income Fund	28 January 2014

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

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Fund’s current Product Disclosure Statement and its Constitution.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts (“MITs”) was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust (“AMIT”) regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Funds to elect into the AMIT tax regime, the Funds’ Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Funds have been reclassified from a financial liability to equity on 1 July 2017, see Note 7 for further information.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

(ii) New and amended standards adopted by the Funds

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Funds. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition, classification and measurement of the Funds' financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Funds do not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Funds' investments are all held at fair value through profit or loss, the change in impairment rules will not materially impact the Funds.

- AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted (continued)

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

There are no other standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future reporting periods and on foreseeable future transactions.

(b) Financial instruments

(i) Classification

The Funds' investments are classified as held at fair value through profit or loss. They comprise of:

- Financial instruments held for trading

The Fund does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed equity securities and unit trusts.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy as outlined in the Product Disclosure Statement. The Funds' policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition and derecognition

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise 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 Funds have transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

- Financial instruments held at fair value through profit or loss

At initial recognition, the Funds measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

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

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

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Funds have 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.

(c) Net assets attributable to unit holders

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

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

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 Funds.

Units are classified as equity when 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 Funds' 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 Funds, and it is not a contract settled in the Funds' 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.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unit holders (continued)

As at 30 June 2017, net assets attributable to unit holders are classified as a financial liability. Effective from 1 July 2017, the Funds' units have been reclassified from financial liability to equity as they satisfied all the above criteria.

(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 represent the Funds' main income generating activity.

(e) Investment income

(i) Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis. Changes in fair value of such financial instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(ii) Dividends and distributions

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

Trust distributions are recognised on an entitlement basis.

(f) Expenses

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

(g) Income tax

Under current legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to their unit holders. The benefits of any imputation credits and foreign tax paid are passed on to unit holders.

2 Summary of significant accounting policies (continued)

(h) Distributions

The Funds may distribute their distributable income, in accordance with the Funds' Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

(i) Increase/decrease in net assets attributable to unit holders

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

(j) Functional and presentation currency

Balances included in the Funds' 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 Funds compete for funds and is regulated. The Australian dollar is also the Funds' presentation currency.

(k) Receivables

Receivables may include amounts for interest, 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.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(l) Payables

Payables include liabilities, accrued expenses owed by the Funds 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.

2 Summary of significant accounting policies (continued)

(m) Applications and redemptions

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

(n) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as management, administration and custodian services where applicable, have been passed on to the Funds. The Funds qualify 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.

(o) Use of estimates

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

For more information on how fair value is calculated refer to Note 4 to the financial statements.

(p) Rounding of amounts

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

(q) Comparative revisions

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

3 Financial risk management

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

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

3 Financial risk management (continued)

All securities investments present a risk of loss of capital. The maximum loss of capital on unit trusts is limited to the fair value of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

The investments of the Funds, and associated risks, are managed by a specialist Investment Manager, Equity Trustee Limited under an Investment Management Agreement (IMA) approved by the Responsible Entity, and containing the investment strategy and guidelines of the Funds, consistent with those stated in the Product Disclosure Statement.

The Funds use different methods to measure different types of risk to which they are exposed. These methods are explained below.

(a) Market risk

(i) Price risk

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

The Funds mitigate price risk with specific risk investment mandates composition controls. Individual position weights generally do not exceed the company's weighting in the S&P/ASX 200 Accumulation Index by more than 5%. The investment team monitors the portfolio on a daily basis to ensure compliance with investment guidelines.

The table at Note 3(b) summarises the sensitivities of the Funds' financial assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Funds invest move by +/-10% (2017: +/-10%).

(ii) Interest rate risk

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

(b) Summarised sensitivity analysis

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

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

EQT Flagship Fund	Impact on operating profit/net assets attributable to unit holders	
	Price risk	
	-10%	+10%
	\$'000	\$'000
As at 30 June 2018	(35,599)	35,599
As at 30 June 2017	(29,456)	29,456
EQT Wholesale Flagship Fund	Impact on operating profit/net assets attributable to unit holders	
	Price risk	
	-10%	+10%
	\$'000	\$'000
As at 30 June 2018	(9,792)	9,792
As at 30 June 2017	(8,968)	8,968

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

EQT Australian Equity Income Fund	Impact on operating profit/net assets attributable to unit holders	
	Price risk	
	-10%	+10%
	\$'000	\$'000
As at 30 June 2018	(6,533)	6,533
As at 30 June 2017	(6,815)	6,815

(c) Credit risk

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

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

(d) Liquidity risk

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

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

Liquidity risk is managed by investing the majority of their assets in investments that are traded in an active market and can be readily disposed of.

In order to manage the Funds' overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Funds did not reject or withhold any redemptions during 2018 and 2017.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

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

EQT Flagship Fund

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2018					
Distributions payable	2,649	-	-	-	2,649
Payables	880	-	-	-	880
Contractual cash flows (excluding derivatives)	3,529	-	-	-	3,529
As at 30 June 2017					
Distributions payable	9,192	-	-	-	9,192
Payables	232	-	-	-	232
Net assets attributable to unit holders - liability	295,032	-	-	-	295,032
Contractual cash flows (excluding derivatives)	304,456	-	-	-	304,456

3 Financial risk management (continued)

EQT Wholesale Flagship Fund

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2018					
Distributions payable	742	-	-	-	742
Payables	<u>40</u>	-	-	-	<u>40</u>
Contractual cash flows (excluding derivatives)	<u>782</u>	-	-	-	<u>782</u>
As at 30 June 2017					
Distributions payable	2,709	-	-	-	2,709
Payables	52	-	-	-	52
Net assets attributable to unit holders - liability	<u>89,521</u>	-	-	-	<u>89,521</u>
Contractual cash flows (excluding derivatives)	<u>92,282</u>	-	-	-	<u>92,282</u>

3 Financial risk management (continued)

EQT Australian Equity Income Fund

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2018					
Distributions payable	203	-	-	-	203
Payables	<u>32</u>	-	-	-	<u>32</u>
Contractual cash flows (excluding derivatives)	<u>235</u>	-	-	-	<u>235</u>
As at 30 June 2017					
Distributions payable	3,014	-	-	-	3,014
Payables	72	-	-	-	72
Net assets attributable to unit holders - liability	<u>67,805</u>	-	-	-	<u>67,805</u>
Contractual cash flows (excluding derivatives)	<u>70,891</u>	-	-	-	<u>70,891</u>

4 Fair value measurement

The Funds measure and recognise financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Funds have no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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

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

The Funds value their investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

4 Fair value measurement (continued)

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

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

The quoted market price used for financial assets held by the Funds are the current bid price; the quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

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

4 Fair value measurement (continued)

(b) Recognised fair value measurements

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

	EQT Flagship Fund				EQT Wholesale Flagship Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2018								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Equity securities	350,355	-	-	350,355	96,374	-	-	96,374
Unit trusts	5,634	-	-	5,634	1,549	-	-	1,549
Total financial assets	355,989	-	-	355,989	97,923	-	-	97,923
As at 30 June 2017								
Financial assets								
Financial assets designated at fair value through profit or loss:								
Equity securities	283,797	-	-	283,797	86,401	-	-	86,401
Unit trusts	10,764	-	-	10,764	3,278	-	-	3,278
Total financial assets	294,561	-	-	294,561	89,679	-	-	89,679

4 Fair value measurement (continued)

(b) Recognised fair value measurements (continued)

	EQT Australian Equity Income Fund			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
As at 30 June 2018				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Equity securities	61,182	-	-	61,182
Unit trusts	<u>4,146</u>	-	-	<u>4,146</u>
Total financial assets	<u>65,328</u>	-	-	<u>65,328</u>
As at 30 June 2017				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Equity securities	64,278	-	-	64,278
Unit trusts	<u>3,870</u>	-	-	<u>3,870</u>
Total financial assets	<u>68,148</u>	-	-	<u>68,148</u>

(c) Transfer between levels

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

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

(d) Financial instruments not carried at fair value

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

4 Fair value measurement (continued)

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

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

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

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

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	Year ended		Year ended		Year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Net gain/(loss) on financial assets held for trading	4	2	1	-	-	-
Net gain/(loss) on financial assets designated as at fair value through profit or loss	<u>25,692</u>	<u>19,304</u>	<u>7,311</u>	<u>23,641</u>	<u>(2,011)</u>	<u>3,288</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>25,696</u>	<u>19,306</u>	<u>7,312</u>	<u>23,641</u>	<u>(2,011)</u>	<u>3,288</u>
Net realised gain/(loss) on financial assets held at fair value through profit or loss	(819)	4,075	(204)	21,514	(1,057)	1,476
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	<u>26,515</u>	<u>15,231</u>	<u>7,516</u>	<u>2,127</u>	<u>(954)</u>	<u>1,812</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>25,696</u>	<u>19,306</u>	<u>7,312</u>	<u>23,641</u>	<u>(2,011)</u>	<u>3,288</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>25,696</u>	<u>19,306</u>	<u>7,312</u>	<u>23,641</u>	<u>(2,011)</u>	<u>3,288</u>

6 Financial assets held at fair value through profit or loss

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	As at		As at		As at	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Designated at fair value through profit or loss						
Equity securities	350,355	283,797	96,374	86,401	61,182	64,278
Unit trusts	5,634	10,764	1,549	3,278	4,146	3,870
Total designated at fair value through profit or loss	355,989	294,561	97,923	89,679	65,328	68,148
Total financial assets held at fair value through profit or loss	355,989	294,561	97,923	89,679	65,328	68,148

7 Net assets attributable to unit holders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017 the Funds classified their net assets attributable to unit holders as liabilities in accordance with AASB 132. On 1 July 2017, the Funds have elected into the AMIT tax regime. The Funds' Constitution has been amended on the same date and it no longer has a contractual obligation to pay distributions to unit holders. Therefore the net assets attributable to unit holders of the Funds meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unit holders from liabilities to equity, the Funds' distributions are no longer classified as finance costs in the statement of comprehensive income, but rather as dividends paid in the statement of changes in equity.

7 Net assets attributable to unit holders (continued)

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

	EQT Flagship Fund				EQT Wholesale Flagship Fund			
	Year ended		Year ended		Year ended		Year ended	
	30 June 2018 Units'000	30 June 2018 \$'000	30 June 2017 Units'000	30 June 2017 \$'000	30 June 2018 Units'000	30 June 2018 \$'000	30 June 2017 Units'000	30 June 2017 \$'000
Opening balance	169,356	295,032	94,923	157,553	77,953	89,521	464,194	534,112
Applications	26,083	46,074	75,540	128,296	7,230	8,342	52,760	62,284
Redemptions	(3,579)	(6,421)	(1,524)	(2,640)	(4,556)	(5,404)	(449,975)	(524,139)
Reinvestment of distributions	1,872	3,263	417	694	54	63	10,974	12,739
Increase/(decrease) in net assets attributable to unit holders	-	-	-	11,129	-	-	-	4,525
Distributions paid and payable	-	(11,380)	-	-	-	(3,390)	-	-
Profit/(loss) for the year	-	36,445	-	-	-	10,641	-	-
Closing balance	193,732	363,013	169,356	295,032	80,681	99,773	77,953	89,521

7 Net assets attributable to unit holders (continued)

EQT Australian Equity Income Fund

	Year ended			
	30 June 2018 Units'000	30 June 2018 \$'000	30 June 2017 Units'000	30 June 2017 \$'000
Opening balance	46,139	67,805	41,683	60,608
Applications	1,719	2,537	4,497	6,693
Redemptions	(184)	(267)	(53)	(81)
Reinvestment of distributions	23	34	12	18
Increase/(decrease) in net assets attributable to unit holders	-	-	-	567
Distributions paid and payable	-	(2,816)	-	-
Profit/(loss) for the year	-	904	-	-
Closing balance	<u>47,697</u>	<u>68,197</u>	46,139	<u>67,805</u>

Net assets attributable to unit holders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further details.

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

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds.

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 Funds consider their net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability until 30 June 2017. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unit holders.

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

8 Distributions to unit holders

The distributions declared during the year were as follows:

	EQT Flagship Fund				EQT Wholesale Flagship Fund			
	Year ended		Year ended		Year ended		Year ended	
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
Distributions								
September	3,050	1.62	1,785	1.22	952	1.16	5,135	1.04
December	2,324	1.23	1,982	1.26	668	0.79	1,279	2.08
March	3,357	1.75	3,190	1.92	1,028	1.27	4,759	6.55
November*	-	-	-	-	-	-	15,560	3.52
June (payable)	2,649	1.37	9,192	5.43	742	0.92	2,709	3.47
Total distributions	11,380	5.97	16,149	9.83	3,390	4.14	29,442	16.66

	EQT Australian Equity Income Fund			
	Year ended		Year ended	
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
Distributions				
September	1,396	2.92	1,097	2.47
December	684	1.43	758	1.64
March	533	1.12	630	1.37
June (payable)	203	0.43	3,014	6.53
Total distributions	2,816	5.90	5,499	12.01

*The November 2016 distribution represents a special distribution paid by the Fund due to a unit holder redemption of greater than 5% of the net assets of the Fund. Due to this redemption, as outlined in the Product Disclosure Statement, a portion of the withdrawal proceeds represented distributable income to the redeeming unit holder. Refer to the Fund's Product Disclosure Statement for details on special distributions.

9 Cash and cash equivalents

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	As at		As at		As at	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	7,300	7,030	1,745	1,741	2,256	1,934
Total cash and cash equivalents	7,300	7,030	1,745	1,741	2,256	1,934

These accounts are earning a floating interest rate of between 0.15% and 0.35% as at 30 June 2018 (30 June 2017: 0.09% and 0.15%).

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

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	Year ended		Year ended		Year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities						
Profit/(loss) for the year	36,445	-	10,641	-	904	-
Increase/(decrease) in net assets attributable to unit holders	-	11,129	-	4,525	-	567
Distributions to unit holders	-	16,149	-	29,442	-	5,499
Proceeds from sale of financial instruments held at fair value through profit or loss	26,562	50,965	13,531	76,951	7,881	12,547
Purchase of financial instruments held at fair value through profit or loss	(62,294)	(168,821)	(14,463)	(132,511)	(7,072)	(18,712)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(25,696)	(19,306)	(7,312)	(23,641)	2,011	(3,288)
Net change in receivables	(388)	(1,033)	(25)	5,248	(39)	(15)
Net change in payables	1	83	(18)	(358)	(40)	8
Net cash inflow/(outflow) from operating activities	(25,370)	(110,834)	2,354	(40,344)	3,645	(3,394)
(b) Non-cash operating and financing activities						
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	3,263	694	63	12,739	34	18
The following redemptions were satisfied by in specie asset transfers of assets	-	-	-	517,405	-	-
Total non-cash operating and financing activities	3,263	694	63	530,144	34	18

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

11 Receivables

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	As at		As at		As at	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest receivable	2	2	-	-	-	-
Dividends and distributions receivable	3,209	2,822	883	856	844	787
GST receivable	42	41	4	6	4	5
Management fee reimbursement receivable	-	-	-	-	-	17
Total receivables	3,253	2,865	887	862	848	809

12 Payables

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	As at		As at		As at	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Management fees payable	203	177	26	35	24	63
Redemptions payable	647	-	6	-	-	-
Custody and administration fees payable	30	38	8	11	8	9
Withholding tax payable	-	17	-	6	-	-
Total payables	880	232	40	52	32	72

13 Remuneration of auditor

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

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	Year ended		Year ended		Year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$	\$	\$	\$	\$	\$
Deloitte Touche Tohmatsu						
<i>Audit and other assurance services</i>						
Audit and review of financial statements	18,660	18,660	10,300	10,300	9,690	9,690
Audit of compliance plan	3,770	3,770	3,770	3,770	4,080	4,080
Total remuneration for audit and other assurance services	22,430	22,430	14,070	14,070	13,770	13,770
<i>Taxation services</i>						
Tax compliance services	4,970	4,970	8,820	10,820	6,830	6,830
Total remuneration for taxation services	4,970	4,970	8,820	10,820	6,830	6,830
Total remuneration of Deloitte Touche Tohmatsu	27,400	27,400	22,890	24,890	20,600	20,600

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

14 Related party transactions

The Responsible Entity of the EQT Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Equity Trustees Limited, to act as Investment Manager for the Funds, and State Street Australia Limited to act as Custodian and Administrator for the Funds. The contracts are on normal commercial terms and conditions.

14 Related party transactions (continued)

(a) Key management personnel

(i) Directors

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

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

(ii) Other key management personnel

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

(b) Transactions with key management personnel

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

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Funds as at 30 June 2018 (30 June 2017: Nil).

(d) Key management personnel compensation

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

(e) Key management personnel loans

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

14 Related party transactions (continued)

(f) Other transactions within the Funds

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

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

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

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

	EQT Flagship Fund		EQT Wholesale Flagship Fund		EQT Australian Equity Income Fund	
	Year ended		Year ended		Year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$	\$	\$	\$	\$	\$
Investment management fees for the year	2,978,228	2,344,633	526,116	1,736,761	457,606	487,972
Total fees payable to the Investment Manager at year end	186,775	163,475	21,624	31,239	21,522	56,876
Total fees receivable from the Investment Manager at year end	-	-	-	-	-	16,936
Responsible Entity fees for the year	185,753	125,015	52,923	150,476	37,654	37,716
Total fees payable to the Responsible Entity at year end	16,193	13,694	4,447	4,149	3,007	6,184

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

Management fees rebate received relate to management fees rebated by related party investments to the Funds.

14 Related party transactions (continued)

(h) Related party unit holdings

Parties related to the Funds (including Equity Trustees Limited, their related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) hold units in the Funds, as follows:

EQT Flagship Fund

Unit holder As at 30 June 2018	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
EQT Growth Fund	87,248,497	91,442,010	170,941,694	47.20	4,193,513	-	5,414,315

Unit holder As at 30 June 2017	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
EQT Growth Fund	78,366,078	87,248,497	155,468,096	51.52	8,882,419	-	8,616,165

14 Related party transactions (continued)

(h) Related party unit holdings (continued)

EQT Wholesale Flagship Fund

Unit holder As at 30 June 2018	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
EQT Growth Fund	41,952,167	41,952,167	52,104,593	52.00	-	-	1,740,657
EQT Core Australian Equity Fund	11,808,618	12,155,157	15,096,704	15.07	389,847	43,308	505,734
Freedom of Choice	20,603,752	17,183,877	21,342,375	21.30	320,594	3,740,469	781,422
MIR Australian Equities Fund	43,407	37,847	47,005	0.05	1,297	6,857	1,637

Unit holder As at 30 June 2017	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
EQT Growth Fund	35,404,433	41,952,167	49,490,971	53.82	6,547,734	-	5,376,439
EQT Core Australian Equity Fund	11,689,333	11,808,618	13,930,628	15.15	243,478	(124,193)	1,552,674
Freedom of Choice (combined)	2,199,390	20,603,752	24,306,246	26.43	19,356,531	(952,169)	1,856,998
Freedom of Choice	2,106,464	20,603,752	24,306,246	26.43	19,356,531	(859,243)	1,848,542
Freedom of Choice	92,926	-	-	-	-	(92,926)	8,456
MIR Australian Equities Fund	41,195	43,407	51,207	0.06	2,212	-	2,979
MHOR Australian Small Cap Fund	2,357,471	-	-	-	42,287	(2,399,758)	-
The Executive Super Fund	389,157,545	-	-	-	54,891,790	(444,049,335)	4,624,756

14 Related party transactions (continued)

(h) Related party unit holdings (continued)

EQT Australian Equity Income Fund

Unit holder As at 30 June 2018	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
EQT Growth Fund	45,497,396	47,190,819	67,468,714	98.94	1,693,423	-	2,783,640
Freedom of Choice	43,291	41,806	59,771	0.09	-	1,485	2,548

Unit holder As at 30 June 2017	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
EQT Growth Fund	41,124,875	45,497,396	69,629,214	98.61	4,372,521	-	5,423,638
Freedom of Choice	42,981	43,291	63,646.97	0.09	310	-	5,185

(i) Investments

The Funds did not hold any investments in Equity Trustees Limited or their related parties during the year (2017: Nil).

15 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Funds as disclosed in the statement of financial position as at 30 June 2018 or on the results and cash flows of the Funds for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 42 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Funds' financial position as at 30 June 2018 and of their performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited.



Philip D Gentry
Chairman

Melbourne
30 August 2018

Independent Auditor's Report to the Unit Holders of EQT Funds

Opinion

We have audited the financial reports of EQT Australian Equity Income Fund, EQT Flagship Fund (registered as Common Fund No 2) and EQT Wholesale Flagship Fund (collectively the "EQT Funds" or the "Funds") which comprises the statements of financial position as at 30 June 2018, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial reports of the Funds are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Funds' financial position as at 30 June 2018 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audits 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 Funds in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audits of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Funds (the "Directors"), would be in the same terms if given to Directors as at the time of this auditor's report.

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2018, but does not include the financial reports and our auditor's report thereon.

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

In connection with our audits of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audits, 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 Reports

The Directors are responsible for the preparation of the financial reports that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial reports that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the Directors are responsible for assessing the ability of the Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audits of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are 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 these financial reports.

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 reports, 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 audits 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 Funds' 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 Funds' 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 reports 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 Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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

Chester Hii
Partner
Chartered Accountants
Melbourne, 30 August 2018