



Antares Enhanced Cash Trust

ARSN 123 245 429

Financial Report

For the period ending 30 June 2016



Antares Enhanced Cash Trust
(ARSN 123 245 429)
Financial Report
For the year ended 30 June 2016

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Directors' report

The Directors of MLC Investments Limited, the Responsible Entity of Antares Enhanced Cash Trust (the 'Scheme'), present their report together with the financial report of the Scheme for the year ended 30 June 2016 and the independent audit report thereon.

Directors of the Responsible Entity

The names of the persons who were Directors of MLC Investments Limited during or since the end of the year 30 June 2016 are as follows:

Name	Appointment Date
S C Birkenleigh	Appointed 9 September 2015
J G Duffield	Appointed 24 August 2011
P Gupta	Appointed 1 September 2012
G J Mulcahy	Appointed 7 July 2014

The registered office of MLC Investments Limited is located at Ground Floor, MLC Building, 105-153 Miller St, North Sydney NSW 2060.

Principal activities

The Scheme is an unlisted registered managed investment Scheme domiciled in Australia.

The Scheme invests and transacts in money market securities, fixed interest securities and derivatives in accordance with the provisions of the Constitution of the Scheme.

The Scheme did not have any employees during the year (2015: Nil).

There have been no significant changes to the activities of the Scheme during the year.

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

Results and review of operations

The result of the operations of the Scheme is disclosed in the Statement of Profit or Loss and Other Comprehensive Income. The result is affected by the performance of the markets to which the Scheme has exposure.

For details in relation to the Scheme's investment exposure and strategy, information can be obtained from the Product Disclosure Statement.

Distributions

The distributions for the year ended 30 June 2016 were as follows:

	\$'000	c/unit
Distributions paid and payable	152,143	2.25

Units on issue

Units on issue as at year end and movements during the year are shown in Statements of Changes in Net Assets Attributable to Unitholders.

The total assets of the Schemes are set out in the Statement of Financial Position. The basis for valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

State of affairs

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Scheme that occurred during the year unless otherwise disclosed.

Likely developments

The Scheme will continue to pursue its policy of competitive returns through a selection process that identifies investment managers in each asset class.

Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

Auditor's independence

The Directors received a declaration of independence from the auditor's of the Scheme, a copy of which is attached to the Directors' report on page 4.

Events subsequent to the balance date

There has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Interests of the Responsible Entity

Units held by MLC Investments Limited and its related parties in the Scheme during the financial year ended 30 June 2016 are detailed in Note 7 to the financial statements.

Fees paid to the Responsible Entity during the financial year ended 30 June 2016 are detailed in Note 7(e) to the financial statements.

Environmental regulation

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

Indemnities and insurance premiums for Officers or Auditors

Indemnification

The Scheme has not indemnified or made a relevant agreement for indemnifying against a liability for any person who is or has been an officer of the Responsible Entity or an auditor of the Scheme during the year.

Insurance premiums

During the year the ultimate parent company of the Responsible Entity, National Australia Bank Limited, has paid, or agreed to pay, premiums in respect of its officers for liability, legal expenses, insurance contracts, and premiums in respect of such insurance contracts, for the financial year ended 30 June 2016. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

Rounding

The Scheme meets the criteria set out in Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, and in accordance with that Corporations Instrument, amounts in the financial report and the Directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors of MLC Investments Limited:

Director: _____ 

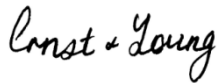
Signature: _____ 

Dated at Sydney this 22 day of September 2016.

Auditor's Independence Declaration to the Directors of MLC Investments Limited, as Responsible Entity for Antares Enhanced Cash Trust

As lead auditor for the audit of Antares Enhanced Cash Trust for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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



Ernst & Young



Rita Da Silva
Partner
22 September 2016

Antares Enhanced Cash Trust
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Investment income			
Interest income		104,476	118,468
Changes in the fair value of financial assets and liabilities at fair value through profit or loss		<u>56,834</u>	<u>20,528</u>
Total investment income		<u>161,310</u>	<u>138,996</u>
Expenses			
Responsible Entity's fees	7(e)	12,914	9,671
Other expenses		<u>334</u>	<u>373</u>
Total operating expenses		<u>13,248</u>	<u>10,044</u>
Net operating profit		<u>148,062</u>	<u>128,952</u>
Financing costs			
Distributions	3	<u>152,143</u>	<u>139,447</u>
Net (loss)		<u>(4,081)</u>	<u>(10,495)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Change in net assets attributable to unitholders		<u>(4,081)</u>	<u>(10,495)</u>

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Antares Enhanced Cash Trust
Statement of Financial Position
As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Cash and cash equivalents	9(b)	27,663	1,015,225
Receivables	5	20,187	9,517
Financial assets designated as held at fair value through profit or loss	4	7,623,402	4,074,150
Financial assets held for trading	8(c)	-	2
Total assets		<u>7,671,252</u>	<u>5,098,894</u>
Liabilities			
Accounts payable and accrued expenses	6	893	1,000
Financial liabilities held for trading	8(c)	2,904	3,129
Distribution payable	3	67,811	52,977
Total liabilities excluding net assets attributable to unitholders		<u>71,608</u>	<u>57,106</u>
Net assets attributable to unitholders		<u>7,599,644</u>	<u>5,041,788</u>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

Antares Enhanced Cash Trust
Statement of Changes in Net Assets Attributable to Unitholders
For the year ended 30 June 2016

	\$'000	No. '000
Net assets attributable to unitholders		
Balance at 30 June 2014	4,436,930	4,348,666
Applications	2,210,519	2,156,665
Redemptions	(1,595,166)	(1,554,150)
Change in net assets attributable to unitholders	<u>(10,495)</u>	<u>-</u>
Balance at 30 June 2015	5,041,788	4,951,181
Applications	4,666,287	4,551,686
Redemptions	(2,104,350)	(2,051,563)
Change in net assets attributable to unitholders	<u>(4,081)</u>	<u>-</u>
Balance at 30 June 2016	<u>7,599,644</u>	<u>7,451,304</u>

The above Statement of Changes in Net Assets Attributable to Unitholders is to be read in conjunction with the accompanying notes.

Antares Enhanced Cash Trust
Statement of Cash Flows
For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Interest received		102,909	122,764
Responsible Entity's fees paid		(13,043)	(9,620)
Payment of other expenses		(474)	(177)
Net cash provided by operating activities	9(a)	<u>89,392</u>	<u>112,967</u>
Cash flows from investing activities			
Proceeds from sale of investments		16,370,448	6,388,361
Purchases of investments		(19,871,910)	(8,248,422)
Net cash (used in) investing activities		<u>(3,501,462)</u>	<u>(1,860,061)</u>
Cash flows from financing activities			
Applications received		4,530,289	2,087,033
Redemptions paid		(2,104,350)	(1,595,166)
Distributions paid		(1,312)	(2,121)
Net cash provided by financing activities		<u>2,424,627</u>	<u>489,746</u>
Net (decrease) in cash and cash equivalents		(987,443)	(1,257,348)
Cash and cash equivalents at the beginning of the financial year		1,015,225	2,272,475
Effects of exchange rate changes on cash		(119)	98
Cash and cash equivalents at the end of the financial year	9(b)	<u>27,663</u>	<u>1,015,225</u>

The above Statement of Cash Flows is to be read in conjunction with the following notes.

NOTE 1 - 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.

The financial report of the Scheme for the financial year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 22 September 2016.

(a) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board ('AASB') and International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board.

(b) Basis of preparation

The Scheme's financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on the basis of historical costs, except for financial assets and financial liabilities held at fair value and held for trading, that have been measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets and liabilities at fair value and net assets attributable to unitholders.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

The financial statement is presented in Australian Dollars, and all values are rounded to the nearest \$'000 except where otherwise indicated.

(c) Basis of consolidation

The Scheme is an investment entity and, as such, does not consolidate any entities subject to their control. Instead, interests in controlled entities are classified at fair value through profit or loss, and measured at fair value. The Scheme does not hold a controlling interest in any of their underlying investments and therefore is not required to provide additional disclosures.

(d) Unit prices

The unit price for the units of the Scheme is calculated as at the close of business on each business day.

(e) Terms and conditions on units

Each unit issued confers upon the unitholders of each Scheme an equal interest in the Scheme, and is of equal value. A unit does not confer any interest in any particular asset or investment of each Scheme. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- (i) have their units redeemed;
- (ii) receive income distributions;
- (iii) attend and vote at meetings of unitholders; and
- (iv) participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to any unit of the Scheme are identical in all respects.

(f) Financial assets and liabilities held at fair value through profit or loss

The Scheme has classified all of its investments as designated at fair value through profit or loss except derivatives which are held for trading for risk management purposes. Securities designated as at fair value through profit or loss are initially recognised at fair value.

Investments are valued at their fair value as at reporting date. Gains and losses arising from changes in the fair value of the financial assets designated as held at fair value through profit or loss are included in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

(g) Financial assets and liabilities held for trading

Derivative financial instruments are categorised for accounting purposes as held for trading, as the Scheme does not designate any derivatives as hedges in a hedging relationship. Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value with movements taken to the Statement of Profit or Loss and Other Comprehensive Income. Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flow models and options pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

(i) Futures contracts

Futures contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established on an organised market. Futures contracts are collateralised by cash and cash equivalents or by other assets ("initial margin"). Subsequent payments, known as "variation margin," are made or received by the Scheme each day, depending on the daily fluctuations in the fair value of the underlying security. The futures contracts are marked to market daily.

(ii) Interest Rate Swaps

The calculation of the fair value involves discounting interest rate payments and receipts associated with the two sides of the swap by the interest rates applicable to the portfolio.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Fair value measurement

Assets and liabilities measured at fair value in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety as detailed below:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(i) Significant accounting judgements, estimates, or assumptions

The Scheme may make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements.

Estimates and assumptions

Estimates are continually evaluated and based on historical experience, available information and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of financial assets and liabilities held through profit or loss

Fair value is the price that would be received from disposing an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Scheme measures investments in financial assets and financial liabilities at fair value through profit or loss. Management applies judgement in selecting valuation techniques where there is no market price available for an instrument. Further details on the determination of fair values of financial instruments are set out in Note 8(f).

Fair value of financial assets held for trading

The Scheme has assessed the impact of credit value adjustments to their derivative positions to comply with the requirements of AASB 13, and concluded that there are no adjustments to the valuation of derivatives.

Judgements

(i) The Scheme meets the definition criteria of an investment entity under AASB 10 and therefore is required to measure its interests in controlled entities at fair value through profit or loss. The criteria which define an investment entity are as follows:

(a) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;

(b) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and,

(c) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

(ii) The Scheme has assessed whether its investments in unlisted registered managed investment schemes should be classified as structured entities. A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The Scheme has considered the voting rights and other similar rights and concluded on whether these rights are the dominant factor in determining control. The Scheme has concluded that its investments in unlisted registered managed investment schemes meet the definition of structured entities as the voting rights of these unlisted registered managed investment schemes are not substantive in nature.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, futures margin and short term deposits at call.

(k) Receivables

Receivables may include amounts for dividends, interest, distributions, outstanding settlements and other income and are measured initially at fair value plus transactions costs. Amounts are generally received within 30 days of being recorded as receivable. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

(l) Accounts payable and accrued expenses

Payables include outstanding settlements and accrued expenses owing by the Scheme which are unpaid as at balance date. They are measured initially at fair value plus transaction costs. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

(m) Foreign currency transactions

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and monetary items held, together with any accrued income, are translated at the exchange rate prevailing at the year end.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the Statement of Profit or Loss and Other Comprehensive Income as part of the 'Changes in the fair value of financial assets and liabilities at fair value through profit or loss'.

(n) Income and expenses

Revenue is brought to account on an accrual basis except where otherwise stated.

Dividend and distribution income, from listed securities and unlisted registered managed investment schemes, are recognised on the date the shares or trust units are quoted ex dividend/distribution. Income on fixed interest securities and money market securities is recognised on an ex interest accrual basis.

Interest income on discount securities is brought to account on a straight line basis and is derived from interest earned and amortised premium or discount to face value on investments.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the year).

Expenses are brought to account on an accrual basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income and expenses (continued)

The Responsible Entity is entitled to receive a fee, calculated in accordance with the Scheme's Constitution, for the provision of management services to the Scheme. The Responsible Entity is entitled to be reimbursed, under the Scheme's Constitution, for certain expenses incurred in administering the Scheme. The amount reimbursed has been calculated in accordance with the Scheme's Constitution.

Other expenses also include government duties and bank interest expense. Auditor's remuneration has not been charged against the Scheme's income as this cost is borne by the Responsible Entity.

(o) Transfers to/from net assets attributable to unitholders

Unrealised gains and losses arising on movements in the fair value of assets, unrealised foreign currency movements on other assets, accrued dividends and interest not yet payable to the Scheme are transferred to net assets attributable to unitholders. They are included in the determination of distributable income when assessable for taxation purposes. The taxable portion of realised capital gains is included in distributable income (net of any realised capital losses) by transfer from net assets attributable to unitholders. Non assessable income and net capital losses carried forward are also reflected as movements against components of net assets attributable to unitholders for the current financial year.

(p) Taxation

Under current legislation the Scheme is not subject to income tax as unitholders are presently entitled to the taxable income (including assessable realised net capital gains) which is distributed each year.

The unit price is based upon fair values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed.

Net realised capital losses are not distributed to unitholders, but are retained to be offset against any future realised capital gains. Where realised assessable capital gains exceed realised capital losses, the excess is distributed to unitholders as assessable income for taxation purposes.

(q) Distributions to unitholders

The income of the Scheme is accumulated and reinvested or paid to unitholders on the last day of September, December, March, and June.

Undistributed income/(loss) includes income earned and expenses not yet paid at the last distribution day on 30 June 2016 and realised capital losses which are retained to offset future realised capital gains. These are not distributed but held for distributions in future periods.

The Scheme's distributions are expressed as cents per unit for the distribution period.

(r) Goods and services tax

Responsible Entity fees and other expenses are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office ('ATO') as a reduced input tax credit ('RITC').

Creditors and accruals are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in payables in the Statement of Financial Position.

(s) Derecognition of financial instruments

The derecognition of financial instruments takes place when the Scheme no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(t) Capital management

The Responsible Entity manages its net assets attributable to unitholders as capital, notwithstanding that net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Scheme.

In order to maintain or adjust the capital structure, the Responsible Entity may return capital to unitholders. The Scheme does not have any externally imposed capital requirements.

(u) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Scheme at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Scheme.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Application of accounting standards

Changes in Accounting Policy

Since 1 July 2015, the Scheme has not adopted any mandatory new and amended Australian Accounting Standards that effect the financial statements.

Australian Accounting Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the annual reporting period ended 30 June 2016. The impact of these standards and interpretations has been assessed, to the extent applicable to the Scheme and are discussed below.

AASB 9 Financial Instruments

This standard makes changes to the way financial assets are classified for the purpose of determining their measurement basis. AASB 9 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Scheme from 1 July 2018. The Scheme does not intend to early adopt AASB 9 as permitted by the standard. The application of the standard is not expected to change the measurement basis of any of the Scheme's current financial instruments.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: AASB 101 Presentation of Financial Statements

These amendments clarify the materiality requirements in AASB 101. These amendments also clarify that specific line items in the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position may be disaggregated and that the entities have flexibility as to the order in which they present the notes to financial statements. These amendments are not expected to impact the Scheme's financial position or performance and become effective for the annual periods beginning on or after 1 January 2016 and will therefore apply to the Scheme from 1 July 2016.

NOTE 2 - AUDITOR'S REMUNERATION

	2016	2015
	\$	\$
Auditor of the Scheme:		
Ernst & Young audit and review of financial reports	7,000	7,000
Other assurance engagements	<u>5,374</u>	<u>5,034</u>
	<u>12,374</u>	<u>12,034</u>

Audit fees for the Scheme have been paid by the Responsible Entity.

NOTE 3 - DISTRIBUTIONS

Distributions paid and payable during the year by the Scheme were as follows:

	2016	2015
	\$'000	c/unit
September	19,841	0.34
December	21,572	0.37
March *	42,923	0.63
June - payable	<u>67,807</u>	<u>0.91</u>
	<u>152,143</u>	<u>2.25</u>

* March includes a payable amount of \$4k.

	2015	2014
	\$'000	c/unit
September	30,082	0.71
December	32,189	0.72
March	24,199	0.51
June - payable	<u>52,977</u>	<u>1.07</u>
	<u>139,447</u>	<u>3.01</u>

NOTE 4 - FINANCIAL ASSETS DESIGNATED AS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	\$'000	\$'000
Money Market Securities		
Money Market Securities	5,015,259	2,281,122
Fixed interest securities		
Fixed interest securities	<u>2,608,143</u>	<u>1,793,028</u>
Total financial assets designated as held at fair value through profit or loss	<u>7,623,402</u>	<u>4,074,150</u>

NOTE 5 - RECEIVABLES

	2016	2015
	\$'000	\$'000
Outstanding settlements	9,104	-
Other receivables	<u>11,083</u>	<u>9,517</u>
	<u>20,187</u>	<u>9,517</u>

NOTE 6 - ACCOUNTS PAYABLE & ACCRUED EXPENSES

	2016	2015
	\$'000	\$'000
Outstanding settlements	163	-
Amounts owing to Responsible Entity	491	620
Distributions Payable	67,811	52,978
Other payables	239	380
	68,703	53,978

NOTE 7 - RELATED PARTIES

(a) Responsible Entity

The Responsible Entity of the Scheme is MLC Investments Limited ABN 30 002 641 661, whose immediate and ultimate holding companies are MLC Holdings Limited ABN 32 003 113 068 and National Australia Bank Limited ABN 12 004 044 937 respectively.

The Responsible Entity is incorporated and domiciled in Australia.

(b) Key management personnel

Directors

The names of the persons who were Directors of MLC Investments Limited at any time during the financial year were as follows:

Name	Appointment Date
S C Birkenleigh	Appointed 9 September 2015
J G Duffield	Appointed 24 August 2011
P Gupta	Appointed 1 September 2012
G J Mulcahy	Appointed 7 July 2014

In addition to the Directors noted above, the Responsible Entity is considered to be a Key Management Personnel of the Scheme.

Key management personnel are paid by a related party of the Responsible Entity. Payments made from the Scheme to the Responsible Entity do not include any amounts directly attributable to key management personnel remuneration.

(c) Other related party transactions with the Scheme

From time to time the Directors of MLC Investments Limited, or their Director related entities, may invest into or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

(d) Amounts payable to the Responsible Entity

The net amount of payables to MLC Investments Limited by the Scheme at balance date is shown in the table below:

	2016	2015
	\$	\$
Antares Enhanced Cash Trust	490,652	620,192

(e) Responsible Entity's fees

The Responsible Entity's fees have been calculated in accordance with the Scheme's Constitution. Total fees paid and payable (net of rebates where applicable) are as follows:

	2016	2015
	\$	\$
Antares Enhanced Cash Trust	12,913,819	9,670,632

(f) Expense reimbursement

The Responsible Entity is entitled, under the Scheme's Constitution, to be reimbursed for certain expenses incurred in administering the Scheme.

The basis on which the expenses are reimbursable is defined in the Constitution. There were no expense reimbursements during the year (2015:Nil).

NOTE 7 - RELATED PARTIES (continued)

(g) Related party investments

The Scheme may purchase and sell units in other unlisted managed investment schemes managed by MLC Investments Limited or its related parties in the ordinary course of business at application and redemption prices calculated in accordance with the Constitution.

The Scheme did not hold any shares in National Australia Bank Limited. It did hold units in managed investment schemes operated by the Responsible Entity as set out below. Cash and cash equivalents in the Statement of Financial Position for the Scheme are held with the National Australia Bank Limited. NAB Asset Servicing is the custodian for the directly held investments of the Scheme.

From time to time the Scheme may invest in money market securities and fixed interest bonds as issued or guaranteed by National Australia Bank Limited. These investments are in the normal course of business and on normal commercial terms and conditions. Details of these investments held by the Scheme are set out below:

	Fair value of investment \$
2016	
Money Market Securities - National Australia Bank Limited	1,200,686,514
Fixed Interest Bonds - National Australia Bank Limited	361,221,989
2015	
Money Market Securities - National Australia Bank Limited	991,658,339
Fixed Interest Bonds - National Australia Bank Limited	94,672,721

(h) Unitholder investing activities

Details of holdings in the Scheme by MLC Investments Limited and its related parties or other schemes managed by MLC Investments Limited and its related parties are set out below:

	Number of units held	Interest held in the Scheme	Fair value of investment	Distributions paid/payable
MLC Investments Limited and its related parties	No.	%	\$	\$
2016				
JANA Investments Trust	1,588,700,133	21.32	1,620,327,987	35,527,362
MLC Investments Ltd	148	-	151	3
MLC Limited	2,974,422,969	39.92	3,033,658,201	61,376,915
MLC Masterkey Unit Trust	127,626,554	1.71	130,167,344	2,366,493
National Corporate Investment Trust	61,256,866	0.82	62,476,368	1,530,819
MLC Investment Trust	62,057,681	0.83	63,293,126	1,358,935
MLC Investments Pooling Trusts	1,791,191,364	24.04	1,826,850,414	31,732,145
National Investment Trust	2,619,508	0.04	2,671,657	43,517
2015				
JANA Investments Trust	1,818,431,904	36.73	1,851,709,247	50,232,648
MLC Investments Ltd	144	-	147	4
MLC Limited	1,535,268,602	31.01	1,563,364,050	35,186,320
MLC Masterkey Unit Trust	93,821,234	1.89	95,538,165	1,907,493
National Corporate Investment Trust	242,510,733	4.90	246,948,684	6,294,862
MLC Investment Trust	54,525,017	1.10	55,522,826	1,477,574
MLC Investments Pooling Trusts	568,538,798	11.48	578,943,070	25,117,259
National Investment Trust	913,270	0.02	929,983	12,310

NOTE 8 - FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives, policies and processes

The Scheme's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk, equity and other price risk), liquidity and cash flow risk. The Scheme's overall risk management programme is aligned to its investment strategy as detailed in its Constitution and Product Disclosure Statement. It focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance. The Responsible Entity monitors the risk management framework, which is performed internally and reported on a quarterly basis. The Scheme may use derivative financial instruments to moderate the risk exposure.

(b) Credit risk

The Scheme takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The Enhanced Cash Trust has no exposure to an individual counterparty in excess of 25% of the net assets attributable to unitholders at 30 June 2016 (2015: not in excess of 23%). Their concentrations are all held with authorised deposit-taking institutions.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Scheme restricts its exposure to credit losses on trading derivative instruments by entering into master netting arrangements with counterparties (approved brokers). The credit risk associated with contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, there is the opportunity to settle outstandings on a net basis.

The Scheme minimises its exposure to credit risk on cash equivalents by only holding instruments with top-tier financial institutions.

In accordance with the Scheme's mandates, the Scheme's credit positions are monitored on a daily basis, and the Responsible Entity reviews this on a quarterly basis. Credit quality of debt instruments is managed using Standard & Poor's rating categories, in accordance with the investment mandates of the Scheme.

The carrying amounts of financial assets best represent the maximum credit risk exposures at the year end date. The tables below show the credit quality by class of asset for debt instruments.

Antares Enhanced Cash Trust

2016

	AAA to AA-	A+ to A-	BBB + to BBB -	BB + to B-	Unrated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Money market securities	-	5,015,259	-	-	-	5,015,259
Fixed interest securities	1,700,597	907,546	-	-	-	2,608,143
Total	1,700,597	5,922,805	-	-	-	7,623,402

2015

	AAA to AA-	A+ to A-	BBB + to BBB -	BB + to B-	Unrated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Money market securities	-	2,281,122	-	-	-	2,281,122
Fixed interest securities	998,842	794,186	-	-	-	1,793,028
Total	998,842	3,075,308	-	-	-	4,074,150

(c) Financial Assets and Liabilities Held for Trading

Financial assets and financial liabilities are presented on a gross basis in the Statement of Financial Position as there is not an enforceable legal right to offset the recognised amounts. In the normal course of business, the Scheme also enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statement of Financial Position but still allows for the related amounts to be set off in certain circumstances, such as default on contracts.

Offsetting Financial Assets and Financial Liabilities

	2016			2015		
	\$'000			\$'000		
	Amounts not offset		Net amount	Amounts not offset		Net amount
Other financial instruments	Cash collateral	Other financial instruments		Cash collateral		
Enhanced Cash Trust	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Interest Rate Swaps	-	-	-	-	-	-
Futures Contracts	-	-	-	2	-	2
Closing balance	-	-	-	2	-	2
Financial liabilities						
Interest Rate Swaps	(2,875)	-	(2,875)	(3,073)	-	(3,073)
Futures Contracts	(29)	803	774	(56)	1,859	1,803
Closing balance	(2,904)	803	(2,101)	(3,129)	1,859	(1,270)

NOTE 8 - FINANCIAL RISK MANAGEMENT (continued)

(c) Market Risk

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate due to changes in foreign exchange rates.

There was no significant direct foreign exchange risk in the Scheme as at 30 June 2016 (2015: Nil).

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Scheme's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

The Scheme is exposed to varying levels of interest rate risk as a result of differences in their investment strategies. The risk focused investment process actively assesses the level of interest rate risk and seeks to manage the interest rate exposure accordingly.

The changes in interest rates as disclosed in this note are based on assumed fluctuations in interest rates on floating rate financial assets. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

The following tables demonstrate the sensitivity of the Scheme's financial assets designated as held at fair value through profit or loss contained in the Statements of Financial Position to a reasonably possible change in interest rates on discount securities.

Category	2016				2015			
	Change in interest rate (basis points)		Effect on net profit attributable to unitholders \$'000		Change in interest rate (basis points)		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-	+	-	+	-
Interest bearing securities	100	(100)	(11,140)	11,190	100	(100)	(9,038)	9,074

(iii) Equity and Other Price Risk

Equity and other price risk is the risk that the fair value of equities and unit prices decrease as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market.

To mitigate the impact of equity and other price risk the investment process ensures there is diversification of equity exposures within the Scheme.

Changes in price as disclosed in this note are based on an analysis of the yearly change in relevant market indices over the last 10 years. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

The effect on the Statement of Profit or Loss and Other Comprehensive Income due to reasonably possible changes in market factors, as represented by the equity indices, with all other variables held constant are indicated in the following table:

Category	2016				2015			
	Change in price		Effect on net profit attributable to unitholders \$'000		Change in price		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-	+	-	+	-
Fixed Interest	7%	-7%	533,638	(533,638)	7%	-7%	285,191	(285,191)
Total			533,638	(533,638)			285,191	(285,191)

(d) Liquidity and Cash Flow Risk

The Scheme is exposed to daily cash redemptions of redeemable units. Therefore, it invests the majority of its assets either in unlisted schemes with daily redemptions, or in investments that are readily disposed of in an active market, which under normal market conditions are readily convertible to cash.

Net assets attributable to unitholders are repayable on demand, subject to redemption freeze provisions. In addition the Scheme's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

In accordance with the Scheme's policy, the Scheme's liquidity position is monitored on a daily basis, and the Responsible Entity reviews this on a quarterly basis.

The Scheme's liabilities are expected to be settled within less than one month, except for amounts owing to the Responsible Entity which are expected to be settled within one to three months.

(e) Derivatives

The Scheme's derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments. As at 30 June 2016, the overall direct market exposures were as follows:

	30 June 2016		30 June 2015	
	Contract amount \$'000	Fair value \$'000	Contract amount \$'000	Fair value \$'000
Derivative instruments held for trading:				
- Futures Contracts	(18,873)	(29)	(80,000)	(54)
- Interest rate swaps	(3,458)	(2,875)	(2,201)	(3,073)
	<u>(22,331)</u>	<u>(2,904)</u>	<u>(82,201)</u>	<u>(3,127)</u>

NOTE 8 - FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value of financial instruments

The Scheme's financial assets are measured at fair value at the end of each reporting period. The following table details how the fair values of these financial assets, other than Level 1, are determined in particular, the valuation techniques applied where valuation techniques involve the use of non-market observable inputs.

Financial assets	Fair Value Hierarchy	Valuation Techniques
Interest bearing securities	2	Valued by sourcing appropriate yield curves based on credit rating, security type and term to maturity.
Interest Rate Swaps	2	Valued from independent valuations based on discounting interest rate payments and receipts associated with the two sides of the swap.

Financial Instruments	2016			2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Money market securities	-	5,015,259	-	-	2,281,122	-
Interest bearing securities	52,915	2,555,228	-	43,440	1,749,588	-
Futures contracts	(29)	-	-	(54)	-	-
Interest rate swaps	-	(2,875)	-	-	(3,073)	-
Total	52,886	7,567,612	-	43,386	4,027,637	-

There have been no movements into or out of Level 2 and Level 3 for the year ended 30 June 2015 or 30 June 2016.

NOTE 9 - NOTES TO THE STATEMENT OF CASH FLOWS

	2016	2015
	\$'000	\$'000
(a) Reconciliation of operating profit to net cash flows from operating activities		
Net operating profit	148,062	128,952
Changes in the fair value of investments	(56,834)	(20,528)
Changes in assets and liabilities during the financial year:		
(Increase)/decrease in other receivables	(1,565)	4,296
(Decrease)/increase in amounts owing to Responsible Entity	(130)	51
(Decrease)/increase in other payables	(141)	196
Net cash provided by/(used in) operating activities	89,392	112,967

(b) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash at bank and short term deposits at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	17,675	8,546
Cash on deposit - overseas	1,988	1,927
Cash on deposit - domestic	287	601,084
Short term cash securities	6,910	401,809
Futures Margin	803	1,859
	<u>27,663</u>	<u>1,015,225</u>

(c) Non-cash financing and investing

Distributions to unitholders reinvested	<u>135,997</u>	<u>123,486</u>
	<u>135,997</u>	<u>123,486</u>

NOTE 10 - CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	\$'000	\$'000
Net changes in fair value on financial assets through profit or loss:		
Held for Trading	224	(2,706)
Designated at fair value through profit or loss	56,609	23,234
	<u>56,834</u>	<u>20,528</u>

NOTE 11 - EVENTS OCCURRING AFTER THE BALANCE DATE

There has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

The Scheme had no known commitments or contingent liabilities as at 30 June 2016 (2015: Nil).

Directors' declaration

In the opinion of the Directors of MLC Investments Limited, the Responsible Entity of the Scheme:

The financial statements and notes set out on pages 5 to 17, are in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the financial position of the Scheme as at 30 June 2016 and of its performance for the year ended on that date;
- (b) complying with Accounting Standards and Corporations Regulations 2001;
- (c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a).

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

Director: _____

Signature: _____

Dated at _____

of September 2016

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Independent auditor's report to the unitholders of the Antares Enhanced Cash Trust:

We have audited the accompanying financial report of the Antares Enhanced Cash Trust (the 'Scheme'), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of the Scheme is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of the Scheme as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).



Ernst & Young



Rita Da Silva
Partner
Sydney
22 September 2016

