

**Regal Long Short Australian
Equity Fund
ASRN 149 722 654**

Annual financial report
For the financial year ended 30
June 2018

Contents

Directors' report	2
Auditor's independence declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the financial statements	10
Directors' declaration	29
Independent auditor's report to the unitholders	30

The financial statements cover Regal Long Short Australian Equity Fund as an individual entity.

The Responsible Entity of Regal Long Short Australian Equity Fund is Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236648). The Responsible Entity's registered office is Level 18, Angel Place, 123 Pitt Street, Sydney NSW 2000, Australia.

Directors' report

Perpetual Trust Services Limited (ABN 48 000 142 049) is the responsible entity (the "Responsible Entity") of Regal Long Short Australian Equity Fund (the "Fund"). The Directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2018.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia.

The investment objective of the Fund is to provide retail investors with an opportunity to gain exposure to the Australian share market through its investments in Regal Australian Long Short Equity Fund (the "Underlying Fund").

The Fund aims to materially outperform the S&P/ASX 300 Accumulation Index net of fees over a rolling five year period by investing in an unregistered unit trust named the Regal Australian Long Short Equity Fund (the "Underlying Fund") managed by the Regal Funds Management Pty Limited. The underlying fund invests in Australia listed (or soon to be listed) equities, exchange traded derivatives and cash assets.

The Fund was constituted on 4 March 2011 and commenced operations on 18 March 2011.

The Fund did not have any employees during the year.

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

Directors

The Directors of Perpetual Trust Services Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name	Date of appointment/resignation
Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 1 December 2017 Resigned as Alternate Director for Andrew Cannane on 23 February 2018 Resigned as Alternate Director for Christopher Green on 20 April 2018 Appointed as a Director on 20 April 2018
Rodney Ellwood	Resigned as Alternate Director for Christopher Green on 1 December 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

Review and results of operations

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

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

	30 June 2018	30 June 2017
	\$	\$
Operating profit/(loss) before finance costs attributable to unitholders	<u>2,755,523</u>	<u>(16,423)</u>
<i>Distributions</i>		
Distributions paid and payable	<u>(1,161,258)</u>	<u>(382,132)</u>
Distribution (cents per unit)	<u>8.58</u>	<u>3.87</u>

Directors' report (continued)

Significant changes in state of affairs

The Fund has amended its constitution to change the obligation to distribute trust income to unitholders effective 1 July 2017 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust (AMIT) tax regime.

There were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of financial year

Phillip Blackmore was appointed as an alternate Director for Christopher Green and Vicki Riggio on 6 July 2018.

Other than the matter noted above, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- i. the operations of the Fund in future financial years, or
- ii. the results of those operations in future financial years, or
- iii. the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests via the underlying fund. 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 and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of the Fund's property during the year are disclosed in note 10 of the financial statements.

No fees were paid out of the Fund's property to the Directors of the Responsible Entity during the year.

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 10 of the financial statements.

Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 7 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

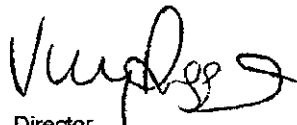
The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Directors' report (continued)

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 5.

This report is made in accordance with a resolution of the Directors of Perpetual Trust Services Limited.



Director
Perpetual Trust Services Limited

Sydney
20 September 2018



Auditor's Independence Declaration

As lead auditor for the audit of Regal Long Short Australian Equity Fund for the year ended 30 June 2018, I declare that 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.

R Cooper

R Cooper
Partner
PricewaterhouseCoopers

Sydney
20 September 2018

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Statement of Comprehensive Income

	30 June 2018	30 June 2017
Notes	\$	\$
Investment income		
Interest income	230	404
Distribution income	2,385,453	415,243
Net gains/(losses) on financial instruments held at fair value through profit or loss	6 364,616	(441,272)
Other income	116,696	138,687
Total net investment income	2,866,995	113,062
Expenses		
Management fees	10 111,472	129,485
Total operating expenses	111,472	129,485
Operating profit/(loss)	2,755,523	(16,423)
Finance costs attributable to unitholders*		
Distributions to unitholders	-	(382,132)
(Increase)/decrease in net assets attributable to unitholders	-	398,555
Profit/(loss) for the year	2,755,523	-
Other comprehensive income	-	-
Total comprehensive income for the year	2,755,523	-

* Finance costs attributable to unitholders are shown as nil for the reporting period ended 30 June 2018 because the Fund's units were reclassified from financial liability to equity on 1 July 2017. Refer to note 1 for further detail.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

		30 June 2018	30 June 2017
	Notes	\$	\$
Assets			
Cash and cash equivalents	14	389,337	180,867
Receivables	9	2,633,842	485,203
Due from brokers - receivables for securities sold but not yet settled		-	40,000
Financial assets held at fair value through profit or loss	15	16,032,551	10,761,706
Total assets		19,055,730	11,467,776
Liabilities			
Distributions payable to unitholders	7	1,161,258	382,132
Payables	16	138,205	308,957
Total liabilities (excluding net assets attributable to unitholders)		1,299,463	691,089
Net assets attributable to unitholders - Liability*		-	10,776,687
Net assets attributable to unitholders - Equity*		17,756,267	-

* Net assets attributable to unitholders 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 Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	30 June 2018 \$	30 June 2017 \$
Total equity at the beginning of the financial year	-	-
Reclassification due to AMIT tax regime implementation*	10,776,687	-
Comprehensive income for the year		
Profit/(loss) for the year	2,755,523	-
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,755,523</u>	-
Transactions with unitholders		
Applications	11,999,137	-
Redemptions	(6,654,968)	-
Units issued upon reinvestment of distributions	41,146	-
Distributions paid and payable	(1,161,258)	-
Total transactions with unitholders	<u>4,224,057</u>	-
Total equity at the end of the financial year*	<u><u>17,756,267</u></u>	-

* Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer note 1 and note 8 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 Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	30 June 2018	30 June 2017
Notes	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	4,455,000	3,447,000
Purchase of financial instruments held at fair value through profit or loss	(9,321,229)	(2,145,000)
Distributions received	415,243	875,581
Interest income received	203	405
Other income received	111,619	152,911
Investment Manager/Responsible Entity fees paid	(106,275)	(145,831)
Net cash flows (used in)/from operating activities	12 (4,445,439)	2,185,066
Cash flows from financing activities		
Proceeds from applications by unitholders	11,825,812	2,993,370
Payments for redemptions by unitholders	(6,830,917)	(4,651,326)
Distributions paid	(340,986)	(396,414)
Net cash flows provided by/(used in) financing activities	4,653,909	(2,054,370)
Net increase in cash and cash equivalents	208,470	130,696
Cash and cash equivalents at the beginning of the financial year	180,867	50,171
Cash and cash equivalents at the end of the year	14 389,337	180,867
Non-cash financing activities	13 41,146	48,623

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 GENERAL INFORMATION

These financial statements cover Regal Long Short Australian Equity Fund as an individual entity. The Fund was constituted on 4 March 2011, and commenced operations on 18 March 2011.

The investment objective of the Fund is to provide retail investors with an opportunity to gain exposure to the Australian share market through its investments in Regal Australian Long Short Equity Fund (the "Underlying Fund").

The objective of the Fund is to outperform the S&P/ASX 300 Accumulation Index net of fees over a rolling 5 year period.

The Responsible Entity of the Fund is Perpetual Trust Services Limited. The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia.

The Investment Manager of the Fund and the underlying fund is Regal Funds Management Pty Limited (the "Investment Manager").

The Hongkong and Shanghai Banking Corporation ("HSBC") is the custodian (the "Custodian") and the administrator (the "Administrator") of the Fund.

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 Fund to elect into the AMIT tax regime, the Fund's 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 Fund have been reclassified from a financial liability to equity on 1 July 2017, see note 8 for further information.

The financial statements were authorised for issue by the Directors of the Responsible Entity on 20 September 2018. 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 Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit unit trust 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.

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 generally expected to be recovered or settled within twelve months.

Compliance with International Financial Reporting Standards

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

Notes to the financial statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments

(i) Classification

The Fund's investments are categorised as at fair value through profit or loss. They comprise of:

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

These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted unit trusts (the "Underlying Fund").

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Fund has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Any gains or losses arising on derecognition of the asset are included in the Statement of Comprehensive Income in the year the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value including any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

For investments in unlisted unit trust, fair value is determined based on the redemption value per unit as reported by the investment managers of such funds.

The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

Further details on how the fair values of financial instruments are determined are disclosed in note 4.

Notes to the financial statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Net assets attributable to unitholders

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

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of Comprehensive Income on a net basis within net losses on financial instruments held at fair value through profit or loss.

Notes to the financial statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition 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 financial assets and liabilities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(f) Investment income

Interest income is recognised in the Statement of Comprehensive Income for all financial instruments that are not held at fair value through profit or loss as it accrues.

Distribution income is recognised on a present entitlement basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at year end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend income.

(g) Expenses

All expenses, including Responsible Entity's fees, management fees and administration fees, are recognised in the Statement of Comprehensive Income on an accrual basis.

(h) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Changes in Equity.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

(i) Distributions

Distributions are payable as set out in the Fund's product disclosure statement. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial assets and liabilities held for trading. Unrealised gains and losses on financial assets and liabilities held for trading that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

Notes to the financial statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as liabilities, movements in net assets attributable to unitholders are recognised in profit or loss as finance costs. The movements include undistributable income which may consist of undistributable unrealised changes in fair value of financial instruments held at fair value through profit or loss; accrued income not yet assessable; expenses provided or accrued for which are not yet deductible; net capital losses; and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

(k) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled on terms consistent with the applicable exchange through which the trade was conducted. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

(l) Receivables

Receivables may include amounts for dividends, interest, and amounts due from brokers. Dividends are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(f). Amounts are generally received within 45 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC), rebate, amounts for interest and trust distributions.

(m) Payables

Payables include liabilities, accrued expenses and redemption monies owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the Statement of Financial Position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(n) Applications and redemptions

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

Unit redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue.

(o) Goods and services tax ("GST")

The GST incurred on the costs of various services provided to the Fund by third parties such as Responsible Entity's fees, have been passed onto the Fund. The Fund qualifies for RITC at a rate of 55% for Responsible Entity's fees and 75% for other expenses. This has been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts 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.

Notes to the financial statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

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

(q) Comparatives

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures and presentation in the current reporting year.

(r) 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 year and have not been early adopted by the Fund. The Directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)

AASB 9 *Financial Instruments* 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 have assessed the impact of AASB 9 on the Funds financial statements. Given no debt instruments are held by the Fund, which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income ('FVOCI'), the adoption of AASB 9 is not expected to have a significant impact on the recognition and measurement of the Fund's financial instruments.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting.

(ii) AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard 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.

The Fund's main source of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the Directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's 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 Fund in the current or future reporting years and on foreseeable future transactions.

Notes to the financial statements (continued)

3 FINANCIAL RISK MANAGEMENT

(a) Overview

The Fund's activities expose it to a variety of financial risks. The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The management of these risks is conducted by the Fund's Investment Manager who manages the Fund's assets in accordance with its investment objective.

The Investment Manager of the Fund is aware of the risks associated with the business of investment management. A financial risk management framework has been established by the Fund's Investment Manager who conducts regular assessment processes in order to ensure that procedures and controls are adequately managing the risks arising from the Fund's investment activities.

This framework includes:

- Integrated computer systems and processes with checks and balances,
- Policies and procedures covering operations,
- Post trade investment compliance monitoring,
- Segregation of the dealing and investment management function from the administration and settlement function,
- An independent service provider for the valuation of securities, and
- A compliance function within the Investment Manager with a separate reporting line from the portfolio management team.

Compliance is integrated into the day to day operations of the Responsible Entity Services team, a Perpetual Corporate Trust (CT) business unit.

The Responsible Entity also has in place a framework to identify, control, report and manage compliance and business obligations, and to ensure that the interests of unitholders in the Fund are protected.

This framework includes:

- Policies and procedures,
- Committee and board reporting,
- Staff training,
- Formal service provider agreements,
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian (the "Service Providers"),
- Regular reviews of Service Providers, and
- Monitoring of Responsible Entity Services compliance in accordance with Control Self-Assessment methodology.

Responsible Entity Services team is ultimately responsible for compliance monitoring. The Responsible Entity Services team includes the roles of Head of Responsible Entity Services, Senior Risk Manager, Senior Manager - Corporate Clients, Client Manager - Corporate Clients.

Responsible Entity Services undertakes monitoring visits of the Fund's Service Providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the Service Providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity.

Notes to the financial statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Fund's direct investments and not on a look-through basis for investments held in the Fund.

The sensitivity of the Fund's net assets attributable to unitholders (and net operating profit/(loss)) to price risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including the historical correlation of the Fund's investments with the relevant benchmarks 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 shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

(i) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

Price risk on unlisted unit trusts arises from investments held for which prices in the future are uncertain. These are classified in the Statement of Financial Position as at fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. All security investments present a risk of loss of capital. Except for sold-short equity positions, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The Fund is indirectly exposed to a certain level of price risk as market investments in the Underlying Fund are held primarily in Australian equities. Short selling is used and is part of the investment strategy deployed by the Underlying Fund and is therefore part of the Fund.

The Fund's overall market position and asset allocation are monitored on a regular basis by the Responsible Entity.

The table presented in note 3(c) summarises sensitivity analysis of price risk.

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund held monetary assets and liabilities, including cash and cash equivalents, receivables, payables and distributions payables in the functional currency (Australian Dollar). As such, the Fund is not exposed to foreign exchange risk.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The majority of the Fund's financial instruments held during the year are non-interest bearing with only cash and cash equivalents and due from broker being directly subjected to interest rate risk.

Notes to the financial statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk. The reasonably possible movement in the risk variable has been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in security prices, benchmark returns and market volatility. However, actual movements in the risk variable may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variable are not a definitive indicator of future variations in the risk variable.

	Price risk	
	Impact on operating profit/Net assets attributable to unitholders	
	-15% (2017: -15%)	+15% (2017: +15%)
30 June 2018	<u>(2,404,883)</u>	<u>2,404,883</u>
30 June 2017	<u>(1,614,256)</u>	<u>1,614,256</u>

	Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders	
	-100bps (2017: -100bps)	+100bps (2017: +100bps)
30 June 2018	<u>(3,893)</u>	<u>3,893</u>
30 June 2017	<u>(2,209)</u>	<u>2,209</u>

(d) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Credit risk arises from cash and cash equivalents and deposits with banks and other financial institutions and due from brokers. None of these assets are impaired nor past due but not impaired.

Investments in unlisted unit trusts are exposed to credit risk.

With respect to credit risk arising from the financial assets of the Fund, their exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed on the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date. The Fund is also indirectly exposed to a certain level of credit risk for financial assets held by the Underlying Fund.

Investment management processes include the consideration of counterparty risk. Investments are only purchased that meet the investment criteria. The Fund's Responsible Entity may refer to the quantified credit ratings issued by Standard and Poor's or Moody's to assess the credit worthiness of counterparties.

Notes to the financial statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk (continued)

Concentrations of direct credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved
- ensuring that transactions are undertaken with a number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

Substantially all of the net assets and cash of the Fund are held by the Custodian. The Responsible Entity monitors the credit risk that the Fund are exposed to by monitoring the credit quality and financial positions of the respectively appointed Custodian.

As at 30 June 2018, HSBC Australia had a credit rating of A+(S&P), substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by HSBC Investor Services Trust.

(e) Liquidity risk

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

The Fund is exposed to daily cash redemptions of redeemable units. The majority of the Fund's assets and securities are considered readily realisable.

The table below analyses the non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the end of the reporting period. The amounts in the table are contractual undiscounted cash flows.

30 June 2018

	Less than 1 month \$	1 to 3 months \$	Greater than 3 months \$
Distributions payable to unitholders	1,161,258	-	-
Payables	138,205	-	-
Net assets attributable to unitholders	-	-	-
Total financial liabilities	1,299,463	-	-

30 June 2017

	Less than 1 month \$	1 to 3 months \$	Greater than 3 months \$
Distributions payable to unitholders	382,132	-	-
Payables	308,957	-	-
Net assets attributable to unitholders	10,776,687	-	-
Total financial liabilities	11,467,776	-	-

Notes to the financial statements (continued)

4 FAIR VALUE MEASUREMENT

(a) Fair values of financial assets and financial liabilities

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

(i) Fair value hierarchy

Fair value measurements are classified using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

(ii) Fair value in inactive or unquoted market

The Fund's investments in unlisted unit trusts (namely, the Underlying Fund) are not quoted in an active market and may be subject to restrictions on redemptions. These investments are recorded at the redemption value per unit as reported by the Investment Manager of the Underlying Fund. In measuring fair value, net asset value of the Underlying Fund is used as an input into measuring their fair value. Consideration is paid to any transactions in the units of the Underlying Fund. Depending on the nature and level of adjustments need to the net asset value and the level of trading in the Underlying Fund, the Fund classified the investment in the Underlying Fund as level 2.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at reporting dates.

As at 30 June 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Financial assets designated at fair value through profit or loss				
Unlisted unit trusts	-	16,032,551	-	16,032,551
Total	-	16,032,551	-	16,032,551

Notes to the financial statements (continued)

4 FAIR VALUE MEASUREMENT (continued)

(a) Fair values of financial assets and financial liabilities (continued)

(ii) Fair value in inactive or unquoted market (continued)

As at 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss				
Unlisted unit trusts	-	10,761,706	-	10,761,706
Total	-	10,761,706	-	10,761,706

(iii) Transfers between levels

There have been no transfers between levels for the year ended 30 June 2018 and 2017.

(iv) Fair value measurement using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended 30 June 2018 and 2017.

(v) Offsetting financial assets and financial liabilities

The Fund did not hold any financial assets or liabilities subject to offsetting arrangements at 30 June 2018 and 30 June 2017.

5 STRUCTURED ENTITY

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

The Fund has concluded that its investments in the Underlying Fund meet the definition of structured entity because:

- the voting rights in the Underlying Fund is not dominant rights in deciding who controls them because they relate to administrative tasks only;
- the Underlying Fund's activities are restricted by its prospectus; and
- the Underlying Fund have narrow and well-defined objectives to provide investment opportunities to investors.

The investee fund's objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The investee funds invest in a number of different financial instruments, including equities and debt instruments. The investee funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets.

The Fund holds redeemable shares in the Underlying Fund.

The exposure to investments in the Underlying Fund at fair value, is disclosed in the following table:

Fund's name	Number of units held Units	Total net asset value of the Underlying Fund \$	Fair value of investment \$	% of net assets attributable to holders of redeemable shares
Regal Australian Long Short Equity Fund	9,618,761	81,340,408	16,032,551	19.71

Notes to the financial statements (continued)

5 STRUCTURED ENTITY (continued)

The fair value of financial assets \$16,032,551 is included in financial assets at fair value through profit or loss in the Statement of Financial Position.

The Fund's maximum exposure to loss from its interests in the Underlying Fund is equal to the total fair value of its investments in the Underlying Fund as there are no off-balance sheet exposures relating to any of the Underlying Fund. Once the Fund has disposed of its shares in the Underlying Fund, it ceases to be exposed to any risk from the Underlying Fund.

During the year ended 30 June 2018, total net realised losses on instrument in the Underlying Fund were \$1,317,668 and total unrealised gains were \$1,682,284.

During the year, the Fund earned fair value gains and distribution income as a result of its interests in the Underlying Fund.

6 NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Net losses recognised in relation to financial instruments held at fair value through profit or loss:

	30 June 2018 \$	30 June 2017 \$
Net realised losses on financial instruments designated at fair value through profit or loss	(1,317,668)	(917,945)
Net unrealised gains on financial instruments designated at fair value through profit or loss	1,682,284	476,673
Total net gain/(losses) on financial instruments held at fair value through profit or loss	364,616	(441,272)

7 DISTRIBUTIONS TO UNITHOLDERS

The distributions for the year were as follows:

	30 June 2018 \$	30 June 2018 CPU	30 June 2017 \$	30 June 2017 CPU
Distributions				
Distributions payable – 30 June	1,161,258	8.58	382,132	3.87
Total distributions	1,161,258	8.58	382,132	3.87

8 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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 Fund 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 Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132 *Financial Instruments: Presentation*. On 1 July 2017, the Fund has elected into the AMIT tax regime. The Fund's constitution has been amended and it no longer has a contractual obligation to pay distributions to unitholders. Therefore the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 *Financial Instruments: Presentation* and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions are no longer classified as finance cost in the Statement of Comprehensive Income, but rather as dividends paid in the Statement of Changes in Equity.

Notes to the financial statements (continued)

8 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

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

	2018 No.	2018 \$	2017 No.	2017 \$
Net assets attributable to unitholders				
Opening balance	9,874,204	10,776,687	11,382,013	12,847,612
Applications	9,359,799	11,999,137	2,598,532	2,993,370
Redemptions	(5,737,231)	(6,654,968)	(4,149,418)	(4,714,363)
Units issued upon reinvestment of distributions	37,705	41,146	43,077	48,623
Increase/(decrease) in net assets attributable to unitholders	-	-	-	(398,555)
Distributions paid and payable	-	(1,161,258)	-	-
Profit/(loss) for the year	-	2,755,523	-	-
Closing balance	13,534,477	17,756,267	9,874,204	10,776,687

*Net assets attributable to unitholders 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 Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund manages the Fund's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders were classified as a liability until 30 June 2017. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption.

The Fund monitors the Fund's individual daily redemptions. Management assesses the impact on remaining unitholders of the realisation of the assets to meet the redemption before approving these transactions and allowing them to be processed in the registry system and funds remitted to the redeeming unitholders. As permitted under the governing documents, where the impact on remaining unitholders is significant, management may decide to pay a special distribution and/or may delay payment of the redemption amount.

9 RECEIVABLES

	30 June 2018 \$	30 June 2017 \$
Interest receivable	28	1
Distributions receivable	2,385,453	415,243
Applications receivable	173,325	-
Other receivables	75,036	69,959
Total receivables	2,633,842	485,203

Notes to the financial statements (continued)

10 RELATED PARTY TRANSACTIONS

Responsible Entity

The Responsible Entity of the Fund is Perpetual Trust Services Limited. The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000, Australia.

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the key management personnel.

All related party transactions are conducted on normal commercial terms and conditions.

Key management personnel

(a) Directors

Name	Date of appointment/resignation
Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Vainauskas	Alternate Director for Michael Vainauskas
Andrew McIver	Appointed as Alternate Director for Christopher Green on 1 December 2017
Vicki Riggio	Resigned as Alternate Director for Andrew Cannane on 23 February 2018
	Resigned as Alternate Director for Christopher Green on 20 April 2018
	Appointed as a Director on 20 April 2018
Rodney Ellwood	Resigned as Alternate Director for Christopher Green on 1 December 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel unitholdings

As at 30 June 2018, the key management personnel of the Responsible Entity did not held any units in the Fund (2017: none).

Key management personnel compensation

Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

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

Investment Manager

The Fund implements its investment strategy by investing in its Underlying Fund, Regal Australian Long Short Equity Fund, and has appointed Regal Funds Management Pty Limited as the Investment Manager.

Notes to the financial statements (continued)

10 RELATED PARTY TRANSACTIONS (continued)

Other transactions within the Fund

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

Management fees and other transactions

For the year ended 30 June 2018, in accordance with the Fund's Product Disclosure Statement, a management fee of 1% per annum of the net asset value of the Fund is payable to the Investment Manager (the "Management Fees"). The Management Fees is calculated as at each business day and is payable monthly in arrears. The Investment Manager may pass some or all of the Management Fees to the Responsible Entity.

In addition to the above fee, a performance fee of 20% of the amount by which the Fund's investment performance (before fees) exceeds the higher of the hurdle and 1% per annum (or an amount equivalent to the Management Fees) (the "Performance Fees") was payable to the Responsible Entity. The hurdle is the S&P/ASX 300 Accumulation Index plus the Management Fees for that day.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund, Responsible Entity and Investment Manager were as follows:

	30 June 2018 \$	30 June 2017 \$
Management fees	111,472	129,485
Total management fees	111,472	129,485

Management fees and other transactions (continued)

The aggregate amount payable by the Fund at the reporting date is as follows:

	30 June 2018 \$	30 June 2017 \$
Management fees	73,267	68,070
	73,267	68,070

These amounts are included in Payables (Note 16).

Related party unitholdings

As at 30 June 2018, parties related to the Fund (including Responsible Entity and Investment Manager, its related parties and other funds managed by the Responsible Entity and Investment Manager), did not hold any units in the Fund (2017: none).

Notes to the financial statements (continued)

10 RELATED PARTY TRANSACTIONS (continued)

Investments

The Fund held investments in the following Fund which is also managed by the Investment Manager.

30 June 2018

Unitholder	No. of units held opening Units	No. of units held closing Units	Fair value of investment \$	Interest held %	Units acquired during the year Units	Units disposed during the year Units	Distributions received/receivable by the Fund \$
Regal Australian Long Short Equity Fund	7,209,074	9,618,761	16,032,551	19.71	5,311,629	2,901,942	2,385,453

30 June 2017

Regal Australian Long Short Equity Fund	7,988,874	7,209,074	10,761,706	14.31	1,337,148	2,116,948	415,243
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30 June 2018	30 June 2017
\$	\$

Distributions received/receivable includes the following amounts which remain unpaid at the reporting date:

Regal Australian Long Short Equity Fund	2,385,453	415,243
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11 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable by the Investment Manager and Responsible Entity for services provided by the auditor.

30 June 2018	30 June 2017
\$	\$

PricewaterhouseCoopers Australia

Audit and other assurance services

Audit and review of financial statements	15,631	13,931
Audit of compliance plan	2,375	4,095

Total remuneration for audit and audit related services for Pricewaterhouse Coopers 18,006 18,026

Ernst and Young Australia

Taxation services

Tax compliance services	8,250	8,250
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Total remuneration for non-audit related services for Ernst & Young 8,250 8,250

Notes to the financial statements (continued)

12 RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	30 June 2018 \$	30 June 2017 \$
Reconciliation of net profit to net cash flows from operating activities		
Net profit/(loss) for the year	2,755,523	(16,423)
Proceeds from sale of financial instruments held at fair value through profit or loss	4,455,000	3,447,000
Purchase of financial instruments held at fair value through profit or loss	(9,321,229)	(2,145,000)
Net (gain)/losses on financial instruments held at fair value through profit or loss	(364,616)	441,272
Net change in receivables	(1,975,314)	475,127
Net change in payables	5,197	(16,910)
Net cash flows (used in)/from operating activities	(4,445,439)	2,185,066

13 NON-CASH FINANCING ACTIVITIES

	30 June 2018 \$	30 June 2017 \$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	41,146	48,623

14 CASH AND CASH EQUIVALENTS

	30 June 2018 \$	30 June 2017 \$
Cash at bank	389,337	180,867

15 FINANCIAL ASSETS AND LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 \$	30 June 2017 \$
Designated at fair value through profit or loss		
Unlisted unit trusts	16,032,551	10,761,706
Total designated at fair value through profit or loss	16,032,551	10,761,706
Total financial assets held at fair value through profit or loss	16,032,551	10,761,706

An overview of the risk exposures and fair value measurements relating to financial assets held at fair value through profit or loss is included in note 3.

Notes to the financial statements (continued)

16 PAYABLES

	30 June 2018 \$	30 June 2017 \$
Management fee payable	73,267	68,070
Redemptions payable	64,938	240,887
	<u>138,205</u>	<u>308,957</u>

17 EVENTS OCCURRING AFTER THE REPORTING DATE

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

No other significant events have occurred since the reporting year which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

18 CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

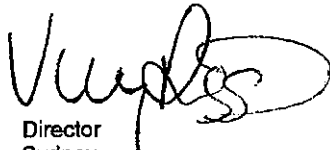
There are no outstanding contingent assets and liabilities or commitments as at 30 June 2018 (2017: \$nil).

Directors' declaration

In the opinion of the Directors of the Responsible entity of Regal Long Short Australian Equity Fund:

- (a) the financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and Interpretations issued by the Australian Accounting standards Board and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (c) note 2(a) confirms that the financial statements comply with 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 Perpetual Trust Services Limited.



Director
Sydney
20 September 2018



Independent auditor's report

To the unitholders of Regal Long Short Australian Equity Fund

Our opinion

In our opinion:

The accompanying financial report of Regal Long Short Australian Equity Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors of the Responsible Entity's declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Fund 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 audit of the financial report 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 Fund, would be in the same terms if given to the directors of the Responsible Entity as at the time of this auditor's report.

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Other information

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

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

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

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

Responsibilities of the directors of the Responsible Entity for the financial report

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

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Fund 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 of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

R Cooper

R Cooper
Partner

Sydney
25 September 2018