

# **ARK Global Disruptive Innovation Fund (formerly known as Nikko AM ARK Global Disruptive Innovation Fund)**

ARSN 627 341 744

## **Annual financial report - 30 June 2023**



**YARRA**  
CAPITAL MANAGEMENT

# ARK Global Disruptive Innovation Fund (formerly known as Nikko AM ARK Global Disruptive Innovation Fund)

ARSN 627 341 744

## Annual financial report - 30 June 2023

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## Directors' report

The directors of Yarra Funds Management Limited (ABN: 63 005 885 567; AFSL: 230251), the responsible entity ("Responsible Entity") of the ARK Global Disruptive Innovation Fund (formerly known as Nikko AM Global Disruptive Innovation Fund) (the "Scheme"), present their report together with the annual financial report of the Scheme for the year ended 30 June 2023.

### Principal activities

During the year, the Scheme continued to invest in accordance with the provisions of its Constitution and Product Disclosure Statement. Investments in each class of asset were maintained within the stated asset allocation ranges.

The key asset category is global shares through unlisted managed investment schemes. There were no significant changes in the nature of the Scheme's activities during the year.

The Scheme changed its name to ARK Global Disruptive Innovation Fund from Nikko AM ARK Global Disruptive Innovation Fund effective 20 March 2023.

The Scheme did not have any employees during the year.

### Directors

The following persons held office as directors of Yarra Funds Management Limited during the year or since the end of the year and up to the date of this report:

Priscilla Boreham	
Roy Keenan	
Jennifer Horrigan	
Vito D'Introno	(Resigned 1 May 2023)
Naomi Edwards	(Appointed 1 May 2023)
Edward Eason	(Appointed 1 May 2023)

### Review and results of operations

There have been no significant changes to the operations of the Scheme since the previous financial year.

During the year, the Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

#### Results

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Operating profit/(loss)	<u>8,176</u>	<u>(165,939)</u>

There were no distributions paid for the year ended 30 June 2023 or for the year ended 30 June 2022.

## **Directors' report (continued)**

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

Recent geo-political uncertainty, including conflict, political uncertainty and related tensions, have significantly impacted financial markets, commodity prices and global trade. Whilst not directly impacted by any such events, the Scheme's assets have been subject to valuation movements as a result of market uncertainties. The Responsible Entity continues to monitor the effects of unfolding events and will continue to actively manage the Scheme's asset portfolio in response to relevant developments.

### **Significant changes in state of affairs**

On 20 March 2023, the responsibility for the Scheme was transferred from Yarra Investment Management Limited to Yarra Funds Management Limited, following Yarra Investment Management Limited's cessation of regulated activities and return of its Australian Financial Services License. The relationship and arrangements under the Responsible Entity agreement have remained consistent throughout the year.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Scheme that occurred during the year ended 30 June 2023.

### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2023, that has significantly affected or may significantly affect:

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

### **Likely developments and expected results of operations**

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

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

### **Indemnification and insurance of the Responsible Entity, directors and auditors**

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to the Responsible Entity, directors or the auditors of the Scheme. As long as the Responsible Entity acts in accordance with the Scheme's Constitution and the Law, the Responsible Entity remains fully indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

### **Fees paid to and interests held in the Scheme by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in note 11.

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

The interests in the Scheme held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 11.

## Directors' report (continued)

### Environmental regulation

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

### Rounding

The Scheme is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding" of amounts in the directors' report and annual financial report. Amounts in the directors' report and annual financial report for the Scheme have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise stated.

### Auditor's independence declaration

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

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



Roy Keenan  
Director

Melbourne  
25 September 2023

26 September 2023

The Board of Directors  
Yarra Funds Management Limited as Responsible Entity for  
ARK Global Disruptive Innovation Fund  
Level 19, 101 Collins Street  
Melbourne VIC 3000

Dear Directors,

### **Auditor's Independence Declaration – ARK Global Disruptive Innovation Fund**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Yarra Funds Management Limited, the Responsible Entity, regarding the financial report for the ARK Global Disruptive Innovation Fund.

As lead audit partner for the audit of the financial report of the ARK Global Disruptive Innovation Fund for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Adam Kuziow  
Partner  
Chartered Accountants

ARK Global Disruptive Innovation Fund  
(formerly known as Nikko AM ARK Global Disruptive Innovation Fund)  
Statement of comprehensive income  
For the year ended 30 June 2023

**Statement of comprehensive income**

		<b>Year ended</b>	
		<b>30 June</b>	30 June
		<b>2023</b>	2022
	Notes	<b>\$'000</b>	\$'000
<b>Investment income</b>			
Interest income		23	-
Net gains/(losses) on financial instruments at fair value through profit or loss	4	<u>8,963</u>	<u>(163,509)</u>
<b>Total net investment income/(loss)</b>		<u><b>8,986</b></u>	<u>(163,509)</u>
<b>Expenses</b>			
Responsible Entity's fees	11	<u>810</u>	<u>2,430</u>
<b>Total expenses</b>		<u><b>810</b></u>	<u>2,430</u>
<b>Operating profit/(loss)</b>		<u><b>8,176</b></u>	<u>(165,939)</u>
<b>Profit/(loss) for the year</b>		<u><b>8,176</b></u>	<u>(165,939)</u>
Other comprehensive income for the year		-	-
<b>Total comprehensive income/(loss) for the year</b>		<u><b>8,176</b></u>	<u>(165,939)</u>

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

ARK Global Disruptive Innovation Fund  
(formerly known as Nikko AM ARK Global Disruptive Innovation Fund)  
Statement of financial position  
As at 30 June 2023

**Statement of financial position**

		As at	
		30 June	30 June
		2023	2022
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	6	1,248	733
Applications receivable		29	22
Receivables		11	614
Financial assets at fair value through profit or loss	4	62,192	61,029
<b>Total assets</b>		63,480	62,398
<b>Liabilities</b>			
Redemptions payable		714	1,111
Payables		67	151
<b>Total liabilities</b>		781	1,262
<b>Net assets attributable to unitholders - equity</b>	3	62,699	61,136

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



## Statement of changes in equity

	Notes	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Total equity at the beginning of the year</b>	3	<b>61,136</b>	-
Reclassification due to AMIT Tax Regime Assessment*		-	271,078
<b>Comprehensive income for the year</b>			
Profit/(loss) for the year		<b>8,176</b>	(165,939)
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>8,176</b>	(165,939)
<b>Transactions with unitholders</b>			
Applications	3	<b>6,189</b>	56,777
Redemptions	3	<b>(12,802)</b>	(100,780)
<b>Total transactions with unitholders</b>		<b>(6,613)</b>	(44,003)
<b>Total equity at the end of the year</b>		<b>62,699</b>	61,136

*\*Effective from 1 July 2021, the Scheme's units have been reclassified from a financial liability to equity. Refer to note 3 for further details.*

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

## Statement of cash flows

	Notes	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		8,400	67,600
Purchase of financial instruments at fair value through profit or loss		-	(27,500)
Interest received		23	-
Payment of expenses		(891)	(2,518)
<b>Net cash inflow/(outflow) from operating activities</b>	7(a)	<b>7,532</b>	<b>37,582</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		6,182	56,836
Payments for redemptions by unitholders		(13,199)	(100,596)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(7,017)</b>	<b>(43,760)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>515</b>	<b>(6,178)</b>
Cash and cash equivalents at the beginning of the year		733	6,911
<b>Cash and cash equivalents at the end of the year</b>		<b>1,248</b>	<b>733</b>

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

## **1 General information**

The Scheme commenced on 26 June 2018. The Scheme will terminate on 25 June 2088 unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is Yarra Funds Management Limited. The Responsible Entity's registered office is Level 19, 101 Collins Street, Melbourne VIC 3000.

The purpose of the Scheme is to invest in unlisted managed investment schemes, through which to provide exposure to global equities that are relevant to the investment theme of disruptive innovation as per the governing documents of the Scheme.

On 20 March 2023, the responsibility for the Scheme was transferred from Yarra Investment Management Limited to Yarra Funds Management Limited, following Yarra Investment Management Limited's cessation of regulated activities and return of its Australian Financial Services License. The relationship and arrangements under the Responsible Entity agreement have remained consistent throughout the year.

The Scheme changed its name to ARK Global Disruptive Innovation Fund from Nikko AM ARK Global Disruptive Innovation Fund effective 20 March 2023.

During the 2022 financial year, the Responsible Entity reassessed the classification of units in the Scheme, and due to the wording included in the Scheme's Constitution and Product Disclosure Statement, concluded that the units satisfy the definition of a puttable instrument requiring classification as equity in accordance with AASB 132 Financial Instruments: Presentation. This reclassification has been applied in the financial report prospectively, with effect from 1 July 2021. The change in classification of units did not impact the net assets attributable to unitholders. Subsequent to the reclassification, distributions to unitholders are treated as an equity transaction rather than a finance cost.

The annual financial report was authorised for issue by the directors on 25 September 2023. The directors of the Responsible Entity have the power to amend and reissue the annual financial report.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of this annual financial report 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**

This general purpose annual report has been prepared on a going concern basis in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. ARK Global Disruptive Innovation Fund is a for-profit unit trust for the purpose of preparing the annual financial report.

The annual financial report was 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 do not distinguish 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 through profit or loss and net assets attributable to unitholders. The Scheme manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date. In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

### *Compliance with International Financial Reporting Standards*

The annual financial report of the Scheme also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (i) Classification

The Scheme's investments are classified as at fair value through profit or loss.

These are investments in listed units in managed investment schemes.

#### (ii) Recognition/derecognition

The Scheme 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. Classification and measurement of securities is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Scheme has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Scheme measures financial instruments at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

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

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Scheme is the last traded price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Scheme recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 9.

#### (iv) Offsetting financial instruments

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

### (c) Investment income

Interest income is recognised on a time apportioned basis using the effective interest method. It mainly includes interest income from cash and cash equivalents.

Change in fair value of financial instruments are recorded in accordance with the policies described in note 2(b).

### (d) Expenses

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

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

### (e) Distributions

The Scheme distributes its distributable income adjusted for amounts determined by the Responsible Entity in accordance with the Scheme's Constitution, to unitholders in the form of cash or via the issuance of units upon a reinvestment of distributions. The Scheme's distributions are classified as distributions paid and payable in the statement of changes in equity. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

### (f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Where relevant, bank overdrafts are shown as liabilities in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

### (g) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(c) above. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme shall measure the loss allowance at an amount equal to 12-month expected credit losses.

### (h) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled in line with market conventions. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income.

### (i) Net assets attributable to unitholders

The units in the Scheme represent puttable financial instruments and 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 Scheme at any time for cash based on the redemption price, which is equal to a proportionate share of the Scheme's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to put the unit back to the Scheme. This amount represents the expected cash flows on redemption of these units.

## 2 Summary of significant accounting policies (continued)

### (i) Net assets attributable to unitholders (continued)

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 Scheme'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 Scheme, and it is not a contract settled in the Scheme's own equity instruments; and
- the total expected cash flows attributed to the puttable financial instrument over the life are based substantially on the profit or loss.

The units in the Scheme satisfy these requirements, and consequently net assets attributable to unitholders are classified as equity. Units in the Scheme can generally be redeemed at any time for cash equal to a proportionate share of the Scheme's net asset values, subject to restrictions on withdrawals as disclosed in the governing documents.

### (j) Applications and redemptions

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

### (k) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the assets or as part of the expense.

With respect to disclosures in the statement of financial position, payables are stated with the amount of GST included, while the net amount of GST recoverable from the ATO is included as a receivable.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (l) Foreign currency translation

#### *Functional and presentation currency*

Items included in the Scheme's annual financial report 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 Scheme competes for funds, primarily invests and is regulated. The Australian dollar is also the Scheme's presentation currency.

### (m) Use of judgements and estimates

The preparation of the financial report in conformity with Australian Accounting Standards requires the Responsible Entity to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the judgements and estimates made and assumptions applied.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the process of preparing the financial report of the Scheme and in the application of the Scheme's accounting policies, the Responsible Entity is of the opinion that there are no areas of significant estimation uncertainty or material judgement that have been exercised and is expected to have a significant effect on the amounts recognised within the financial report.

## 2 Summary of significant accounting policies (continued)

### (n) Income tax

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

The benefit of imputation credits is passed on to unitholders.

### (o) New accounting standards and interpretations

#### (i) New and amended standards adopted by the Scheme

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### (ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 and have not been early adopted in preparing this annual financial report. These new standards, amendments to standards and interpretations are not expected to have a material impact on the future annual financial report of the Scheme.

### (p) Rounding

The Scheme is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding" of amounts in the directors' report and annual financial report. Amounts in the directors' report and annual financial report for the Scheme have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise stated.

## 3 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 Scheme classifies a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

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

	As at			
	30 June 2023 No. of units (000)	30 June 2022 No. of units (000)	30 June 2023 \$'000	30 June 2022 \$'000
Opening balance*	72,021	110,767	61,136	271,078
Applications	7,092	30,039	6,189	56,777
Redemptions	(15,092)	(68,785)	(12,802)	(100,780)
Profit/(loss) for the year	-	-	8,176	(165,939)
Closing balance	<u>64,021</u>	<u>72,021</u>	<u>62,699</u>	<u>61,136</u>

\*From 1 July 2021, the Scheme's units have been reclassified from a financial liability to equity.

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

### 3 Net asset attributable to unitholder (continued)

#### Capital risk management

The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily redemptions at the discretion of unitholders.

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

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

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Financial assets</b>		
Net gains/(losses) on financial assets at fair value through profit or loss	8,963	(163,509)
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>8,963</b>	<b>(163,509)</b>

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

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Financial assets at fair value through profit or loss</b>		
Unlisted units in managed investment schemes	62,192	61,029
<b>Total financial assets at fair value through profit or loss</b>	<b>62,192</b>	<b>61,029</b>

### 6 Cash and cash equivalents

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	1,248	733

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

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	8,176	(165,939)
Proceeds from sale of financial instruments at fair value through profit or loss	8,400	67,600
Purchase of financial instruments at fair value through profit or loss	-	(27,500)
Net gains/(losses) on financial instruments at fair value through profit or loss	(8,963)	163,509
Net change in receivables	3	28
Net change in payables	(84)	(116)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>7,532</b>	<b>37,582</b>



## 8 Financial risk management

The Scheme's assets principally consist of unlisted units in managed investment schemes. It holds these investments in accordance with its investment strategy.

The Scheme's investment activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Scheme uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of price, interest rate and foreign exchange risk.

The possible movements in the risk variables presented in the below sensitivity analysis have been determined based on management's best estimate, having regard for a number of factors, including historical changes in security prices. However, actual movements in these risk variables may be more or less significant and historic variations are not a definitive indicator of future variations in the risk variables.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Investment Guidelines and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed.

### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### *(i) Price risk*

The Scheme is exposed to unlisted units in managed investment schemes price risk. This arises from investments held by the Scheme for which prices in the future are uncertain. These investments are classified on the statement of financial position as at fair value through profit or loss.

The investment manager manages other price risk through diversification and careful selection of securities within specified limits set out in the Scheme's Product Disclosure Statement.

#### *(ii) Foreign Exchange risk*

The Scheme may hold assets, both cash and cash equivalents and other financial assets, denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of the monetary assets denominated in other currencies fluctuates due to changes in exchange rates.

The Scheme's net exposure to foreign currency risk at 30 June 2023 and 30 June 2022 is not significant.

#### *(iii) Interest rate risk*

Interest rate risk is the risk that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Scheme has established limits on investments in interest bearing securities, which are monitored on a daily basis.

The exposure to interest rate risk is limited to cash and cash equivalents which earn a floating rate of interest. Interest rate risk is therefore considered not material and consequently interest rate sensitivity has not been presented.

## 8 Financial risk management (continued)

### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Scheme's operating profit/(loss) and net assets attributable to unitholders to price risk. The possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Scheme invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	<b>Impact on operating profit/(loss)/Net assets attributable to unitholders Price risk</b>	
	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2023 (-50%/+50%)</b>	<b>(31,096)</b>	<b>31,096</b>
30 June 2022 (-35%/+35%)	(21,360)	21,360

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonably possible shift in assumptions.

### (c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The Scheme is subject to credit risk which arises from its holdings of cash and cash equivalents. The Scheme's exposure to credit risk arises from potential default by the counter-party, with maximum exposure equal to the value of cash and cash equivalents.

Substantially all of the cash held by the Scheme is held with a foreign authorised deposit taking institution or major Australian banks which have a minimum credit rating of A, as reported by Standard and Poor's.

Credit risk is not considered to be significant to the Scheme as the Scheme has no exposure to interest bearing securities.

#### (i) Settlement of securities transactions

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

#### (ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 or higher as determined by Standard & Poor's (S&P) (2022: A-1).

In accordance with the Scheme's policy, the Scheme's cash position is monitored on a daily basis.

#### (iii) Other

The clearing and depository operations for the Scheme's security transactions are mainly concentrated with one counterparty, Citigroup Pty Ltd. Citigroup Pty Ltd is a member of a major securities exchange, and at 30 June 2023 had a credit rating of A (S&P) and A3 (Moody's) (2022: A (S&P) and A3 (Moody's)). At 30 June 2023, substantially all cash and cash equivalents and investments are held in custody by Citigroup Pty Ltd.

## 8 Financial risk management (continued)

### (d) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due.

The Scheme is exposed to daily redemptions of redeemable units. It therefore primarily holds investments that are traded in an active market and can be readily disposed.

Investments in unlisted unit trusts expose the Scheme to the risk that the Responsible Entity or investment manager of those trusts may be unable to fulfill the redemption requests within the timeframe requested by the Scheme.

The Scheme maintains adequate liquidity to pay withdrawals and distributions within the timeframes outlined in the Constitution. This is achieved by retaining sufficient liquid assets or access to other forms of liquidity to cover immediate liquidity requirements.

All financial liabilities of the Scheme have contractual maturities of less than 12 months, and comprise redemptions payable, payables and net assets attributable to unitholders.

As the Scheme has no liabilities except for those noted above, a maturity analysis for financial liabilities has not been presented.

## 9 Fair value measurements

The Scheme measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss (FVTPL).

The Scheme has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

### (a) Fair value hierarchy

#### *Classification of financial assets and financial liabilities*

The Scheme classifies fair value measurements 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:

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

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 judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment 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.

## 9 Fair value measurements (continued)

### (a) Fair value hierarchy (continued)

#### *(i) Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Scheme values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Scheme relies on information provided by independent pricing services for the valuation of its investments.

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

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

#### *(ii) Fair value in an inactive market or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. A forward contract is valued at the forward rate and the fair value of an option contract is determined by applying the Black Scholes option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such trusts.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Scheme holds.

## 9 Fair value measurements (continued)

### (a) Fair value hierarchy (continued)

#### *Recognised fair value measurements*

The table below sets out the Scheme's financial assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2023 and 30 June 2022:

#### As at 30 June 2023

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Unlisted units in managed investment schemes	-	62,192	-	62,192
<b>Total financial assets at fair value through profit or loss</b>	-	62,192	-	62,192

#### As at 30 June 2022

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Unlisted units in managed investment schemes	-	61,029	-	61,029
<b>Total financial assets at fair value through profit or loss</b>	-	61,029	-	61,029

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted units in managed investment schemes. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs (level 3) at 30 June 2023 or 30 June 2022.

#### *Transfer between levels*

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

There were no transfers between level for the year ended 30 June 2023 and 30 June 2022.

### (b) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

## 9 Fair value measurements (continued)

### (c) Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments where available.
- The use of redemption values for investments in other unlisted unit trusts as reported by the investment manager of such trusts.
- The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include use of recent arm's length market transaction, historical transaction values, reference to the current fair value of a substantially similar other instrument that provide a reliable estimate of prices obtained in active market transactions.

## 10 Remuneration of auditors

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

	Year ended	
	30 June 2023 \$	30 June 2022 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	13,530	13,860
Other assurance services	4,675	3,630
Total remuneration for audit and other assurance services	18,205	17,490
Total remuneration*	18,205	17,490

\* The fees disclosed above are GST inclusive.

## 11 Related party transactions

### Key management personnel unitholdings

At 30 June 2023 no key management personnel held units in the Scheme (2022: Nil).

### Key management personnel compensation

The directors of the Responsible Entity have been 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 the compensation of key management personnel.

### Key management personnel loan disclosures

The Scheme 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.

### Other transactions with key management personnel

No key management personnel have entered into a material contract with the Scheme during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

## 11 Related party transactions (continued)

### Responsible Entity's fees and other transactions

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 Scheme and the Responsible Entity were as follows:

	<b>30 June 2023</b>	30 June 2022
	\$	\$
Responsible Entity's fees* earned	<u>810,187</u>	<u>2,429,701</u>
Responsible Entity's fees* payable	<u>67,548</u>	<u>150,992</u>

\* Includes amounts paid to the Responsible Entity for third party expenses it has incurred, for which it is entitled to be reimbursed.

## 12 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Scheme for the year ended on that date.

## 13 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the annual financial report and notes set out on pages 7 to 23 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) Note 2(a) confirms that the year report complies 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.



Roy Keenan  
Director

Melbourne  
25 September 2023



## Independent Auditor's Report to the Unitholders of ARK Global Disruptive Innovation Fund

### Opinion

We have audited the financial report of the ARK Global Disruptive Innovation Fund (the "Scheme") which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the annual financial report, including material accounting policy information and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial report of the Scheme is in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Scheme 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 (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### Other Information

The directors of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors are responsible for the preparation 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 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 are responsible for assessing the ability of the Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Scheme to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Scheme's audit. We remain solely responsible for our audit opinion.

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

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Adam Kuziow".

Adam Kuziow  
Partner  
Chartered Accountants

Melbourne, 26 September 2023