

Everest Alternative Investment Trust

ARSN 134 483 319

Annual report for the financial year ended 31 December 2016

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Directors' Report

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"), the responsible entity of Everest Alternative Investment Trust ("EAIT" or the "Trust"), submit their report for the Trust for the year ended 31 December 2016.

Information about the Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-Executive Director
Sarah Wiesener	Company Secretary (appointed 9 June 2016)

Responsible Entity

The responsible entity of the Trust is OMIFL. The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

Principal Activities

The Trust is a registered managed investment scheme, domiciled in Australia.

On 11 February 2011, OMIFL decided to terminate the Trust pursuant to the terms of the Trust's Constitution. Investors were notified of this on 23 February 2011. Following the decision made by the Responsible Entity, the Trust is being managed with the goal of realising the Trust assets in an orderly manner.

The Trust did not have any employees during the year.

Review of Operations

Results

The results of the operations of the Trust are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The loss attributable to unitholders for the year ended 31 December 2016 was \$628,989 (2015 loss: \$480,704).

Distributions

In respect of the financial year ended 31 December 2016, a distribution of \$nil (2015: \$180,390) was paid to unitholders.

Return of Capital

In respect of the financial year ended 31 December 2016, returns of capital totaling \$622,806 (2015: \$2,940,615) were paid to unitholders. The following table shows the breakdown of the amounts paid to unitholders during the year ended 31 December 2016.

	Cents Per Unit	Units on Issue	Returns of capital \$
Jan-16	0.99	37,364,860	368,725
Dec-16	0.68	37,364,860	254,081
Total			622,806

Value of Assets and Units Issued

The total value of the Trust's assets at 31 December 2016 is \$4,701,482 (2015: \$6,049,434). The total number of units on issue as at 31 December 2016 is 37,364,860 (2015: 37,364,860).

Fees Paid and Payable to the Responsible Entity and Associates

The following fees were paid or payable to the Responsible Entity and its associates out of the Trust's property during the year ended 31 December 2016:

Management fees for the year ended 31 December 2016 were \$65,578 (2015: \$100,009) of which \$16,538 (2015: \$21,472) was payable at year end.

Changes in State of Affairs

During the financial year there were no other significant changes in the state of affairs of the Trust.

Subsequent Events

On 19 January 2017, the Trust paid returns of capital of \$851,919 (2.28 cents per unit) to unitholders.

There has not been any other matter or circumstances occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

Future Developments

The Trust will be managed in accordance with the Constitution. The realisation process will be managed in an orderly manner. Whilst assets are expected to be realised over several years, there is no certainty regarding the timing or value of the realisation and the completion of the wind up process.

Environmental Regulation and Performance

The operations of the Trust are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Trust.

Indemnification of Directors, Officers and Auditors

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the directors of OMIFL against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability as such an officer or auditor.

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 3.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle
Director
29 March 2017

29 March 2017

The Directors
One Managed Investment Funds Limited
As the Responsible Entity of Everest Alternative Investment Trust
Level 11
20 Hunter Street
SYDNEY NSW 2000

Dear Directors

Everest Alternative Investment Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of One Managed Investment Funds Limited.

As lead audit partner for the audit of the financial report of Everest Alternative Investment Trust for the financial year ended 31 December 2016, I declare that to the best of my knowledge and belief, that 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 sincerely



CROWE HORWATH SYDNEY



JOHN HAYDON
Senior Partner

Independent Auditor's Report to the Unitholders of the Everest Alternative Investment Trust

Report on the Financial Report

We have audited the accompanying financial report of the Everest Alternative Investment Trust (the "Trust"), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of One Managed Investment Funds Limited as Responsible Entity of the Trust 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 Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards* and the financial report has been prepared on a non-going concern basis.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. the financial report of Everest Alternative Investment Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Emphasis of Matter – Inherent Uncertainty in Relation to the Fair Value of Investments

Without qualifying our opinion, we draw attention to the following matter. As disclosed in Note 4 to the financial report, the assets of the Trust include an investment in a total return equity swap. This asset totals \$4,352,136, with an offsetting liability for \$27,683, as at 31 December 2016 is recorded at net realisable value. As disclosed in Note 3(c) there is inherent uncertainty regarding the net realisable value of the investment relating to the total return equity swap, which in turn gives rise to uncertainty as to whether the Trust will be able to realise its asset at the amount stated in the financial report.

Other Matter

The annual report of Everest Alternative Investment Trust for the year ended 31 December 2015 was audited by Deloitte Touche Tohmatsu who expressed a modified audit opinion with "Emphasis of matter – Significant Uncertainty in Relation to the Fair Value of Investments" on 31 March 2016.



Crowe Horwath Sydney



John Haydon
Senior Partner

Dated this 29th day of March 2017

Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in compliance with the basis of preparation and accounting policies described in note 3 to the financial statements and present fairly the financial position and performance of the Trust as at 31 December 2016; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Trust.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle
Director
29 March 2017

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016

	Note	Year ended 31 December 2016 \$	Year ended 31 December 2015 \$
Income			
Change in value of financial assets held at fair value through profit or loss		(276,223)	(102,580)
Interest income		9,419	22,736
Other income		3,792	17,400
Total income		(263,012)	(62,444)
Expenses			
Management fees	5	65,578	100,009
Administration fees		78,162	88,162
Professional fees		44,799	45,881
Swap fees		129,256	128,832
Other expenses		48,182	55,376
		365,977	418,260
Net (loss)/gain attributable to unitholders		(628,989)	(480,704)
Finance costs attributable to unitholders			
Distribution to unitholders		-	(180,390)
Decrease in net assets attributable to unitholders		628,989	661,094
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Assets			
Cash and cash equivalents	10 (a)	340,514	447,716
Financial assets held at fair value through profit or loss	4	4,352,136	5,590,562
Other assets		8,832	11,156
Total assets		<u>4,701,482</u>	<u>6,049,434</u>
Liabilities			
Financial liabilities held at fair value through profit or loss	4	27,683	131,010
Management fees payable	5	16,538	21,472
Administrative fees payable		7,929	7,929
Professional fees payable		26,081	31,592
Other payables		54,835	37,220
Total liabilities (excluding net assets attributable to unitholders)		<u>133,066</u>	<u>229,223</u>
Net assets attributable to unitholders		<u>4,568,416</u>	<u>5,820,211</u>

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Changes in Net Assets Attributable to Unitholders for the year ended 31 December 2016

	Note	Net assets attributable to unitholders of the Trust \$
Balance as at 1 January 2016		5,820,211
Return of capital		(622,806)
Decrease in net assets attributable to unitholders		<u>(628,989)</u>
Balance as at 31 December 2016	7	<u>4,568,416</u>
Balance as at 1 January 2015		9,421,920
Return of capital		(2,940,615)
Decrease in net assets attributable to unitholders		<u>(661,094)</u>
Balance as at 31 December 2015	7	<u>5,820,211</u>

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Cash Flows for the year ended 31 December 2016

	Year ended 31 December 2016	Year ended 31 December 2015
Note	\$	\$
Cash flows from operating activities		
Interest received	9,419	22,736
Management fees paid	(70,512)	(111,758)
Administration fees paid	(78,162)	(88,662)
Proceeds from sale of financial assets designated as fair value through profit or loss	858,876	2,680,582
Other net expenses paid	(204,017)	(259,384)
Net cash generated by operating activities	10 (b) 515,604	2,243,514
Cash flows from financing activities		
Distributions paid to unitholders	-	(180,390)
Return of capital	(622,806)	(2,940,615)
Net cash used in financing activities	(622,806)	(3,121,005)
Net decrease in cash and cash equivalents	(107,202)	(877,491)
Cash and cash equivalents at the beginning of the year	447,716	1,325,207
Cash and cash equivalents at the end of the year	10 (a) 340,514	447,716

The accompanying notes to the financial statements should be read in conjunction with this statement.

Notes to the Financial Statements

1. General Information

The Trust is an unlisted registered managed investment fund. The address of its registered office and principal place of business is Level 11, 20 Hunter Street, Sydney NSW 2000. The responsible entity of the Trust is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) (“OMIFL” or the “Responsible Entity”). The principal activity of the Trust is disclosed in the Directors’ Report.

On 11 February 2011, OMIFL decided to terminate operations of the Trust. Investors were notified of this on 23 February 2011.

2. Adoption of New and Revised Accounting Standards

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the condensed financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 ‘Financial Instruments’, and the relevant amending standards	1 January 2018	31 December 2018
AASB 2015 ‘Revenue from Contracts with Customers’	1 January 2018	31 December 2018
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	31 December 2017
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	31 December 2017

New and amended standards adopted by the Trust

The following new and revised Standards and Interpretations have been adopted in the current half-year period.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

- The amendments to AASB 7 Financial Instruments: Disclosures remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets
- The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

- The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with AASB 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former’s investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has had no effect on the Trust's consolidated financial statements.

Notes to the Financial Statements

3. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations as they apply to a trust which is no longer a going concern, and comply with other requirements of the law.

Compliance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board ("AASB") ensures that the financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorised for issue by the directors of the Responsible Entity on 29 March 2017.

b) Basis of preparation

As a result of the decision to terminate the Trust pursuant to the terms of the Trust's Constitution this general purpose financial report has been prepared on a non-going concern basis.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders. The amounts expected to be received or settled in relation to these balances cannot be readily determined.

All amounts are presented in Australian dollars as the functional and presentational currency of the Trust.

c) Non-going concern basis

As a result of the decision to terminate Trust operations on 11 February 2011, this financial report has been prepared on a non-going concern basis. As the only significant assets of the Trust are its cash balances and investments in the total return equity swap, the net realisable values of the Trust's assets are equivalent to their fair values.

Due to the inherent uncertainty of valuation, the value of the investments held by the Trust may differ significantly from the values that would have been used, had a ready market for the investments existed, and these differences could be material to the value of the Trust.

d) Revenue and income recognition

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

Distributions

Distributions from investments are recognised when the right to receive the payment is established.

Interest income

Interest income is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, cash balances held with brokers and cash held in the One Cash Management Fund ("OCMF"), a fund managed by a related party of OMIFL, which is redeemable on a daily basis.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

f) Investments in financial instruments

Investments in financial instruments, as defined by AASB 132 'Financial Instruments: Presentation', are categorised in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'. This classification is determined by the purpose underpinning the acquisition of the investment. The classification of each financial instrument is re-evaluated at each financial year end.

Designated at fair value through profit or loss

Investments of the Trust that have been designated as at fair value through profit or loss include securities that are held for trading but for which there is no positive intention to hold to maturity. All investments are initially recognised at fair value of the consideration paid excluding transaction costs. After initial recognition, the financial assets that are designated at fair value through profit or loss are re-valued to fair value at each reporting date.

The Trust carries its investments in other funds at fair value based on financial data supplied by the managers of the funds invested in. Changes in the fair value of the investment are included in the Statement of Comprehensive Income as an unrealised appreciation or depreciation on fund investments. Due to the inherent uncertainty of valuation, the value of the investments held by the Trust may differ significantly from the values that would have been used, had a ready market for the investments existed, and these differences could be material to the value of the Trust.

The investments held by the Trust have been designated as at fair value through profit or loss as doing so results in more relevant information. These investments are part of a full group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Trust.

g) Taxation

Under the current tax legislation, the Trust is not subject to income tax provided that the unitholders are presently entitled to the income of the Trust and that the Trust entirely distributes its taxable income.

There is no income of the Trust to which the unitholders are not currently entitled. Additionally, the Trust's Constitution requires the distribution of the full amount of the net income of the Trust to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Trust, these gains would be included in the taxable income and assessable in the hands of the unitholders.

h) Distributions

In accordance with the Trust's Constitution, the Trust distributes all distributable income to unitholders.

Distributable income includes capital gains arising from the disposal of investments and foreign exchange gains. Unrealised gains or losses on investments that are recognised in the Statement of Comprehensive Income are not distributed until realised. Capital losses are not distributed to unitholders and are retained to be offset against future realised capital gains.

i) Foreign currency transactions

The functional and presentation currency for the Trust is Australian Dollars. Transactions in foreign currencies are brought to account at the prevailing exchange rates at the date of the transaction. Foreign currency monetary items are translated at the exchange rate existing on reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

The differences arising from these foreign currency translations are recognised in the Statement of Comprehensive Income in the year in which they arise.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

j) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the tax authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

k) Payables

Trade and other payables are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services.

l) Net assets attributable to unitholders

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment in the Trust.

Contributions from unitholders and the net profit/(loss) attributable to unitholders of the Trust are recognised in the Statement of Financial Position as net assets attributable to unitholders.

Amounts payable to unitholders are classified as a financial liability. Non-distributable income is included in net assets attributable to unitholders. The change in this amount each year represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

m) Applications and redemptions

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

The application and redemption unit price is determined as the net asset value of the Trust, adjusted for any estimated transaction costs, divided by the number of units on issue at the date of the application or redemption. The Responsible Entity may, in its absolute discretion, accept redemptions outside the terms of the Product Disclosure Statement. The fulfilment of any redemption request is subject to the then liquidity of the investment portfolio and the underlying investment managers' redemption terms.

On 11 February 2011, OMIFL decided to terminate the Trust pursuant to the terms of the Trust's Constitution. Investors were notified of this on 23 February 2011. Following the decision made by the Responsible Entity, the Trust is being managed with the goal of realising the Trust assets in an orderly manner. As a result applications and redemptions have been suspended.

n) Critical accounting judgements and key sources of estimation uncertainty

Management has adhered to the Trust's unit pricing policy which sets out the basis upon which the units of the Trust have been valued, a copy of which is available upon request. In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in notes 3 c) and 3 f) of these financial statements.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

o) Redeemable participating units

The participating units issued by the Trust provide the unitholders with the right to redeem their units for cash equal to their proportionate share of the net asset value of the Trust. AASB 32 permits certain puttable instruments that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity on liquidation to be classified as equity, subject to specified criteria being met. The Trust's redeemable participating units do not meet the specified criteria and have been consequently classified as liabilities. The liability to participating unitholders is presented on the Statement of Financial Position as "Net assets attributable to unitholders" and is determined based on the residual assets of the Trust after deducting the Trust's other liabilities

4. Investments in Financial Instruments

	31 December 2016 \$	31 December 2015 \$
Fair value of financial assets designated as fair value through profit or loss		
Total return equity swap (underlying investment portfolio)	4,324,453	5,459,552
Total return equity swap - Silverpoint position	27,683	131,010
	4,352,136	5,590,562

The former responsible entity, on behalf of the Trust, entered into a total return equity swap with Macquarie. This total return equity swap provides the Trust with an exposure to a leveraged portfolio of leading international absolute return funds and cash.

On 25 August 2011, OMIFL in its capacity as the Responsible Entity of the Trust entered into a sub-participation agreement with OMIFL in its capacity as the trustee of the One Opportunities Fund ("OOF"). The agreement allows OOF to hold its Silverpoint position under the Macquarie Swap in consideration of OOF paying an amount of \$304,834 to the Trust and assuming the risks and expenses in connection with OOF's Silverpoint position under the Macquarie Swap.

Financial instruments carried at fair value are categorised under a three level hierarchy. Financial instruments are categorised based on the observable market inputs when estimating their fair value. If different levels of inputs are used to measure a financial instrument's fair value, the instrument's classification within the hierarchy is based on the lowest level of input that was significant to the fair value measurement.

The following table shows an analysis of financial instruments held at 31 December 2016, recorded at fair value and presented by level of the fair value hierarchy:

	31 December 2016			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Total return equity swap (underlying investment portfolio)	-	-	4,324,453	4,324,453
Total return equity swap - Silverpoint position	-	-	27,683	27,683
Total financial assets designated at fair value through profit or loss	-	-	4,352,136	4,352,136
Financial liabilities				
Total return equity swap - Silverpoint position	-	-	(27,683)	(27,683)
Total financial liabilities designated at fair value through profit or loss	-	-	(27,683)	(27,683)

Notes to the Financial Statements

4. Investments in Financial Instruments (continued)

	31 December 2015			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
Financial assets				
Total return equity swap (underlying investment portfolio)	-	-	5,459,552	5,459,552
Total return equity swap - Silverpoint position	-	-	131,010	131,010
Total financial assets designated at fair value through profit or loss	-	-	5,590,562	5,590,562
Financial liabilities				
Total return equity swap - Silverpoint position	-	-	(131,010)	(131,010)
Total financial liabilities designated at fair value through profit or loss	-	-	(131,010)	(131,010)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. The Trust's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to derive level 1, level 2 and level 3 fair values

Level 1

The fair value of financial instruments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 31 December 2016 the Trust had \$ nil (2015: \$ nil) financial assets held at fair value through profit or loss included in level 1.

Level 2

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) 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. As at 31 December 2016 the Trust had \$ nil (2015: \$ nil) financial instruments in level 2.

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 31 December 2016 the Trust had \$4,352,136 (2015: \$5,590,562) financial assets held at fair value through profit or loss included in level 3. The Trust also had \$27,683 (2015: 131,010) financial liabilities held at fair value through profit or loss as at 31 December 2016. The instrument is valued by using the latest available statement received from the custodian, which is based on the 'net asset value' of each investment.

Reconciliation level 3 fair values

Financial assets measured on a recurring basis using significant unobservable inputs (Level 3) are shown below:

	Year ended 31 December 2016 \$	Year ended 31 December 2015 \$
Opening balance	5,459,552	8,242,714
Change in value of financial assets held at fair value through profit or loss	(276,223)	(102,580)
Net sales	(858,876)	(2,680,582)
Closing balance	4,324,453	5,459,552

The reconciliation of the level 3 fair values does not include the Silverpoint position as the Trust is not exposed any risks and rewards in relation to this exposure via the sub-participation agreement as outlined above.

Notes to the Financial Statements

4. Investments in Financial Instruments (continued)

Disclosed fair values

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

5. Management and Performance Fees

The Responsible Entity of the Trust is OMIFL. In accordance with the Trust's Constitution, the Responsible Entity receives a total fee of 1.25% per annum on the Trust's assets (exclusive of GST), net of tax credits available to the entity.

The following table shows the management fees paid and payable to the Responsible Entity for the financial years ended 31 December 2016 and 2015.

	Year ended 31 December 2016 \$	Year ended 31 December 2015 \$
Management fee expense for the year to the:		
Responsible Entity	65,578	100,009
Total management fee expense for the year	65,578	100,009
Management fees payable at Statement of Financial Position date to the:		
Responsible Entity	16,538	21,472
Total management fees payable as at Statement of Financial Position date	16,538	21,472

No performance fees were paid during the year ended 31 December 2016 (2015: \$nil).

6. Distribution Payable to Unitholders

In accordance with the Trust's Constitution, the Trust fully distributes its distributable income to unit holders in cash. Such distributions are determined by reference to the net taxable income of the Trust. The distribution paid during the year ended 31 December 2016 was \$nil (2015: \$180,390).

7. Net Assets Attributable to Unitholders

Year ended 31 December 2016

	No. of Units	\$
Opening balance as at 1 January 2016	37,364,860	5,820,211
Returns of capital		(622,806)
Net gain attributable to unitholders		(628,989)
Closing balance as at 31 December 2016	37,364,860	4,568,416

Year ended 31 December 2015

	No. of Units	\$
Opening balance as at 1 January 2015	37,364,860	9,421,920
Returns of capital		(2,940,615)
Distribution		(180,390)
Net loss attributable to unitholders		(480,704)
Closing balance as at 31 December 2015	37,364,860	5,820,211

Notes to the Financial Statements

8. Capital Management

The Trust's objectives for managing capital are:

- to maintain sufficient liquidity to meet the ongoing expenses of the Trust; and
- to maintain sufficient size to make the operation of the Trust cost-efficient.

The Trust is being managed to preserve value and return of capital to unitholders via an orderly realisation of underlying investments.

9. Auditor's Remuneration

	Year ended 31 December 2016 \$	Year ended 31 December 2015 \$
Audit and review of the financial report	22,854	22,603

The auditor of the Trust is Crowe Horwath Sydney (2015: Deloitte Touche Tohmatsu Australia).

10. Cash and Cash Equivalents

- (a) Cash and cash equivalents include cash on hand, cash at banks net of outstanding overdrafts, cash balances held with brokers and cash held in the One Cash Management Fund ("OCMF"), which is redeemable on a daily basis. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	31 December 2016 \$	31 December 2015 \$
Cash at banks	32,674	447,716
OCMF	307,840	-
	340,514	447,716

- (b) Reconciliation of decrease in net assets attributable to unitholders for the year to net cash provided by operating activities:

	Year ended 31 December 2016 \$	Year ended 31 December 2015 \$
Decrease in net assets attributable to unitholders	(628,989)	(661,094)
Net gains on assets held at fair value through profit or loss	276,223	102,580
Distributions to unitholders	-	180,390
Proceeds from sale of financial assets designated as fair value through profit or loss	858,876	2,680,582
Change in assets and liabilities:		
Decrease in other assets	2,324	1,158
Increase/(decrease) in trade and other payables	7,170	(60,102)
Net cash generated by operating activities	515,604	2,243,514

Notes to the Financial Statements**11. Financial Risk Management Objectives and Policies**

Risks arising from holding financial instruments are inherent in the Trust's activities. These risks are managed through a process of ongoing identification, measurement and monitoring. The Trust is exposed to credit risk, liquidity risk and market risk.

Financial instruments of the Trust comprise investments in financial assets and liabilities held for the purpose of generating a return on the investment made by unitholders. In addition, the Trust also holds derivatives, cash and cash equivalents, and other financial instruments such as trade debtors and creditors, which arise directly from the operations of the Trust. The responsibility for identifying and controlling the risks that arise from these instruments is that of the Responsible Entity of the Trust.

The method used to measure the risks reflects the expected impact on the performance of the Trust as well as the assets attributable to unitholders of the Trust resulting from reasonably possible changes in the relevant risk variables. Information regarding the Trust's risk exposure is prepared and monitored by the Responsible Entity against established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Trust as well as the level of risk the Trust is willing to accept. Information about these risk exposures at reporting date is disclosed below.

(a) Credit risk

Credit risk is the risk that a counter party will fail to perform contractual obligations, either in whole or in part, under a contract and cause the Trust to incur a financial loss.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. This risk may be minimised by:

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

The financial instruments of the Trust are not transacted on recognised exchanges and in fact are transacted with a single counterparty. The Trust therefore has concentration of credit risk to the counterparty. However, it mitigates the credit risk through dealing with recognised counterparties with good credit ratings (Moody's Senior Debt Rating of A-1).

Further, the Trust has credit risk exposure to the U.S geographical region and the financial services industry only. The Trust's maximum credit exposure for the year ended 31 December 2016 is \$4,324,453 (2015: \$5,459,552).

The credit risk associated to the Trust's investment in OCMF is mitigated on the basis that OCMF only holds deposits with Australian Banks.

(b) Market risk

Market risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in the fair value of a financial asset. These fluctuations can be due to changes in market variables such as interest rates. Market risk is minimised by ensuring that all investment activities are undertaken in accordance with agreed investment and leverage guidelines, and meet the manager's selection, analysis and due diligence criteria.

(c) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust has exposure to foreign currency risk implicit in the value of the Underlying Investment Portfolio denominated in a foreign currency, and transactional exposure arising from planned purchases or sales of securities.

The portfolio held by EAIT is denominated in USD. In addition, the portfolio is not hedged and ultimate realisations of assets denominated in foreign currencies will be subject to exchange rate movements.

Notes to the Financial Statements

11. Financial Risk Management Objectives and Policies (continued)

(c) Currency risk (continued)

The following table indicates the currencies to which the Trust had significant exposure quoted in AUD equivalents:

31 December 2016

	AUD \$	USD \$	Total \$
Assets			
Cash and cash equivalents	340,514	-	340,514
Financial assets held at fair value through profit or loss	-	4,352,136	4,352,136
Other assets	8,832	-	8,832
Total assets	349,346	4,352,136	4,701,482
Liabilities			
Financial liabilities at fair value through profit or loss	-	27,683	27,683
Management fees payable	16,538	-	16,538
Administrative fees payable	7,929	-	7,929
Professional fees payable	26,081	-	26,081
Other payables	54,835	-	54,835
Total liabilities (excluding net assets attributable to unitholders)	105,383	27,683	133,066
Net assets attributable to unitholders	243,963	4,324,453	4,568,416
Total foreign currency exposure	-	4,324,453	4,324,453
Net foreign currency exposure	-	4,324,453	4,324,453

31 December 2015

	AUD \$	USD \$	Total \$
Assets			
Cash and cash equivalents	447,716	-	447,716
Total return equity swap (underlying investment portfolio)	-	5,590,562	5,590,562
Other assets	11,156	-	11,156
Total assets	458,872	5,590,562	6,049,434
Liabilities			
Financial liabilities at fair value through profit or loss	-	131,010	131,010
Management fees payable	21,472	-	21,472
Administrative fees payable	7,929	-	7,929
Professional fees payable	31,592	-	31,592
Other payables	37,220	-	37,220
Total liabilities (excluding net assets attributable to unitholders)	98,213	131,010	229,223
Net assets attributable to unitholders	360,659	5,459,552	5,820,211
Total foreign currency exposure	-	5,459,552	5,459,552
Net foreign currency exposure	-	5,459,552	5,459,552

Notes to the Financial Statements

11. Financial Risk Management Objectives and Policies (continued)

(c) Currency risk (continued)

The following table demonstrates the sensitivity of the Trust's Statement of Comprehensive Income to a reasonable change in foreign exchange rates, with all other variables held constant.

Index	Change in foreign exchange rate	Effect on net profit attributable to unitholders \$
Year ended 31 December 2016		
USD/AUD	20%/(20%)	864,891/(864,891)
Year ended 31 December 2015		
USD/AUD	20%/(20%)	1,091,910/(1,091,910)

(d) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Trust's exposure to interest rate risk is set out in the following table:

	Floating interest rate \$	Non-interest bearing \$	Total \$
31 December 2016			
Assets			
Cash and cash equivalents	340,514	-	340,514
Financial assets held at fair value through profit or loss	-	4,352,136	4,352,136
Other assets	-	8,832	8,832
Total assets	340,514	4,360,968	4,701,482
Liabilities			
Financial liabilities at fair value through profit or loss	-	27,683	27,683
Management fees	-	16,538	16,538
Administrative fees	-	7,929	7,929
Audit fees	-	26,081	26,081
Other payables	-	54,835	54,835
Total liabilities (excluding net assets attributable to unitholders)	-	133,066	133,066
Net exposure	340,514	4,227,902	4,568,416

Notes to the Financial Statements

11. Financial Risk Management Objectives and Policies (continued)

(d) Interest rate risk (continued)

	Floating interest rate \$	Non-interest bearing \$	Total \$
31 December 2015			
Assets			
Cash and cash equivalents	447,716	-	447,716
Financial assets held at fair value through profit or loss	-	5,590,562	5,590,562
Other assets	-	11,156	11,156
Total assets	447,716	5,601,718	6,049,434
Liabilities			
Investments in financial liabilities held for trading	-	131,010	131,010
Management fees	-	21,472	21,472
Administrative fees	-	7,929	7,929
Audit fees	-	31,592	31,592
Other payables	-	37,220	37,220
Total liabilities (excluding net assets attributable to unitholders)	-	229,223	229,223
Net exposure	447,716	5,372,495	5,820,211

The following table demonstrates the sensitivity of the Trust's Statement of Financial Position and Statement of Comprehensive Income to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on the volatility of change in the AUD cash interest rate over the last 10 years:

	Change in basis points increase/(decrease)	Sensitivity of interest income/expense to increase/(decrease) in interest rate	Sensitivity of changes in fair value of financial assets/liabilities
Year ended 31 December 2016			
AUD interest rate	25bp/(25bp)	851/(851)	-
Year ended 31 December 2015			
AUD interest rate	25bp/(25bp)	1,119/(1,119)	-

(e) Price risk

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The Trust is not directly correlated with any particular stock market indices. Price risk is managed by monitoring compliance with established investment mandate limits. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As at 31 December 2016, a positive 10% sensitivity on the underlying investment portfolio would have had an impact in the Trust's Statement of Profit and Loss and Other Comprehensive Income and net assets attributable to unitholders of \$432,445 (2015: \$545,955). A negative sensitivity would have an equal but opposite impact.

Notes to the Financial Statements
11. Financial Risk Management Objectives and Policies (continued)
(f) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in raising funds to meet commitments associated with financial instruments. The investments of the Trust may experience limited or no liquidity and therefore an investment in the Trust should be regarded as an illiquid investment involving a high degree of liquidity risk. Some of the Trust's investments may be highly illiquid. In addition, in the case of unlisted securities, there is no established secondary market for those investments and realisation of those assets may take a considerable amount of time.

In order to control the liquidity risk associated with its investments, the Trust conducts its investing activities in accordance with agreed guidelines and leverage ratios to ensure a minimal concentration of risk.

Maturity Analysis for Financial Liabilities

Financial liabilities of the Trust comprise trade and other payables and net assets attributable to unitholders. Trade and other payables have no contractual maturities but are typically settled within 30 days.

EAIT unitholders may ask to have their EAIT units redeemed at any time, but there is no obligation for the Responsible Entity to satisfy the request. The directors have determined that it would be in the best interests of all unitholders to refuse applications and redemption requests until further notice. This, in addition to the decision to undertake an orderly wind down of the assets of the Trust result in the net assets attributable to unitholders to be classified as settling in more than 12 months.

The investment held on behalf of OOF is classified as settling in more than 12 months due to the nature of the investment and the expected period of time to realise the investment.

The amounts in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances, as the impact of discounting is not significant.

The following table shows the maturity analysis of the Trust's liabilities.

	31 December 2016						Total
	On demand	< 1 month	1-3 months	3-6 months	6-12 months	> 12 months	
Liabilities	\$		\$	\$	\$	\$	\$
Financial liabilities at fair value through profit or loss	-	-	-	-	-	27,683	27,683
Management fees	-	-	16,538	-	-	-	16,538
Administrative fees	-	7,929	-	-	-	-	7,929
Audit fees	-	-	26,081	-	-	-	26,081
Other payables	-	-	54,835	-	-	-	54,835
Net assets attributable to unitholders	-	851,919 [*]	-	-	-	3,716,497	4,568,416
Total liabilities	-	859,848	97,454	-	-	3,744,180	4,701,482

^{*} Classified in < 1 month due to a return of capital made to unitholders on 19 January 2017.

Notes to the Financial Statements

11. Financial Risk Management Objectives and Policies (continued)

(f) Liquidity risk (continued)

	31 December 2015						Total
	On demand	< 1 month	1-3 months	3-6 months	6-12 months	> 12 months	
Liabilities	\$		\$	\$	\$	\$	\$
Financial liabilities at fair value through profit or loss	-	-	-	-	-	131,010	131,010
Management fees	-	-	21,472	-	-	-	21,472
Administrative fees	-	7,929	-	-	-	-	7,929
Audit fees	-	-	31,592	-	-	-	31,592
Other payables	-	-	37,220	-	-	-	37,220
Net assets attributable to unitholders	-	369,912*	-	-	-	5,450,299	5,820,211
Total liabilities	-	377,841	90,284	-	-	5,581,309	6,049,434

* Classified in < 1 month due to a return of capital made to unitholders on 29 January 2016.

12. Related Party Transactions

a) Responsible Entity's and Custody fees

In accordance with the Trust's Constitution, the responsible entity receives a total fee of 1.25% per annum on the Trust's assets, (exclusive of GST), net of tax credits available to the entity.

Transactions with related parties have taken place at arm's length and in the ordinary course of business. The transactions during the year and amounts payable at year between the Trust and the Responsible Entity have been disclosed in note 5.

In addition, OMIFL is also responsible for the custody of the Trust's assets other than the swap. During the year ended 31 December 2016, the Trust paid \$7,559 (2015: \$7,175) to OMIFL for custody services provided. As at 31 December 2016, \$2,062 was payable (2015: \$1,925) to OMIFL for custody services provided.

b) Investments in unlisted funds managed by OMIFL

The Trust has invested units valued at \$307,840 (2015: \$nil) in the One Cash Management Fund ("OCMF") as at 31 December 2016. The trustee of OCMF is One Investment Management Pty Ltd ("OIMPL"), an authorised representative of OMIFL. OIMPL and OMIFL are subsidiaries of One Investment Group Pty Limited. This investment has enabled the Trust to improve its return on cash held. The investment has been included in cash and cash equivalents as it is redeemable daily.

c) Investments by unlisted funds where OMIFL is Trustee

OCMF charges a management fee to its unitholders at a rate of 0.50% per annum on gross assets in the fund. Management fees paid by the Trust to OCMF for the year ended 31 December 2016 were \$1,755 (31 December 2015: \$4,249).

OMIFL is the trustee for the Everest Absolute Return Fund ("EARF"). The Trust holds 6,495,792 units (2015: 6,495,792) of the units on issue by EARF. The units are valued at \$144,856 (2015: \$171,489) and is included within the financial assets as disclosed in note 4.

OMIFL is trustee for the Everest Global Growth Fund ("EGGF"). As at 31 December 2016, EGGF holds 4,385,681 (2015: 4,385,681) of the units on issue by EAIT. This holding represents 11.74% (2015: 11.74%) of the total EAIT units on issue.

Notes to the Financial Statements

12. Related Party Transactions (continued)

c) Investments by unlisted funds where OMIFL is Trustee (continued)

During the financial year ended 31 December 2016, returns of capital amounting to \$73,241 (2015: \$345,153) were paid by EAIT to EGGF.

During the financial year ended 31 December 2016, distributions of \$nil were paid to EGGF (2015: \$21,173).

d) Other fees paid to related parties

The Responsible Entity has appointed third party service providers to the Trust, some of whom are related parties of the Responsible Entity. The following entities, which are related parties of the Responsible Entity, have provided services to the Trust during the financial year ended 31 December 2016:

	Year ended 31 December 2016 \$	Year ended 31 December 2015 \$
Expenses incurred by the Trust in relation to:		
- Administration services to Unity Fund Services Pty Limited	78,162	88,662
- Preparation of the Financial Statements	4,703	4,703
- Registry Fees	15,833	25,326
- Taxation services to Unity Tax Services Pty Limited	15,675	15,675
Total expenses	114,373	134,366
	Year ended 31 December 2016 \$	Year ended 31 December 2015 \$
Amounts due and payable in relation to:		
Administration services	7,929	7,929
Preparation of the Financial Statements	2,475	2,475
Registry Fees	8,608	8,333
Taxation services	16,500	16,500
Total payables	35,512	35,237

e) Sub participation agreement

On 25 August 2011, OMIFL in its capacity as the Responsible Entity of the Trust entered into a sub-participation agreement with OMIFL in its capacity as the trustee of the One Opportunities Fund ("OOF"). The agreement allows OOF to hold its Silverpoint position under the Macquarie Swap in consideration of OOF paying an amount of \$304,834 to the Trust and assuming the risks and expenses in connection with OOF's Silverpoint position under the Macquarie Swap.

Notes to the Financial Statements

13. Indemnities

The Trust enters into contracts that contain a variety of indemnifications. The Trust's maximum exposure under these arrangements is unknown. However, the Trust has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

14. Commitments and Contingencies

There are no commitments or contingencies as at 31 December 2016 (2015: \$ nil).

15. Subsequent Events

On 19 January 2017, the Trust paid returns of capital of \$851,919 (2.28 cents per unit) to unitholders.

There has not been any other matter or circumstances occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.