

Financial Report

Affluence Investment Fund

ARSN 617 680 654

30 June 2017

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DIRECTORY

Responsible Entity:

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Custodian:

Perpetual Corporate Trust Limited
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Sydney NSW 2000
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Auditor:

Pitcher Partners
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Tel: +61 7 3222 8444
Fax: +61 7 3221 7779
Website: www.pitcher.com.au

The directors of Affluence Funds Management Limited, the Responsible Entity of the Affluence Investment Fund ("the Fund"), present their report for the financial year ended 30 June 2017.

1. Responsible Entity and Investment Manager

The Responsible Entity acts as trustee, undertakes management and administration duties for the Fund and monitors the Custodian which holds the Fund assets on behalf of unitholders. The Responsible Entity also acts as Investment Manager and is responsible for the management and performance of the Fund investment portfolio.

Affluence Funds Management Limited ("AFM") has acted as Responsible Entity, trustee and Investment Manager of the Fund since 19 August 2015. From inception of the Fund on 8 August 2014 until 19 August 2015, the Responsible Entity, trustee and Investment Manager of the Fund was Cromwell Funds Management Limited.

2. Directors and Secretary

The following persons held office as Directors of AFM during the financial year and up to the date of this report, unless otherwise indicated:

- Daryl Wilson, Director & Company Secretary.
- Karen Prentis (appointed 1 September 2016)
- Geoff Cannings (appointed 1 September 2016)

3. Principal Activity

The Fund's principal activity is to provide investors with:

- access to a diversified portfolio of underlying investments, predominantly in listed and unlisted funds;
- a minimum distribution yield of 5% per annum, paid monthly;
- a total annualised return of at least inflation plus 5% ("Target Return") over rolling 3-year periods; and
- a total return of at least 5% better than the S&P/ASX 200 accumulation index ("ASX200 Index") in any year the ASX200 Index posts a negative return.

The Fund also aims to deliver volatility of returns which is less than 50% of the ASX200 Index, measured over rolling 3-year periods.

4. Review of Operations and Results

The Fund recorded a profit of \$304,098 during the 2017 financial year (2016: \$82,197) and paid distributions of \$294,820 (2016: \$44,241) for the year.

The table below shows the Fund's performance after fees and costs, against the Target Return and the ASX200 Index over various periods since inception:

To 30 June 2017	1 Month	6 Months	1 Year	2 Years	Inception	Volatility
Income Distributions	2.1%	4.2%	7.0%	5.3%	7.1%	
Capital Growth	(1.0%)	(0.3%)	2.6%	4.6%	2.5%	
Total Return	1.1%	3.9%	9.6%	9.9%	9.6%	3.1%
Benchmark - Inflation + 5%	0.6%	3.5%	7.4%	6.8%	6.8%	
Outperformance against Benchmark	0.5%	0.4%	2.2%	3.1%	2.8%	

Total returns are net of fees and costs (excluding buy-sell spread) using the mid prices and assume the reinvestment of distributions. Returns of more than 1 year are annualised. Past performance is not indicative of future performance. Inception date is 28 November 2014. The Fund aims to pay distributions of approximately 5% pa paid monthly. Distributions are not guaranteed and may be paid above or below this amount.

The Fund delivered total returns (distributions plus growth in the unit price) of 9.6% for the year which exceeded the Target Return (being inflation plus 5%) by 3.1%. Returns since commencement of the Fund have also exceeded the Target Return.

Just as importantly, volatility (variability of returns) has been very low. Since commencement, volatility has been just 3.1%.

The key positive contributors to the Fund's performance were investments in the Affluence LIC Fund, Phoenix Opportunities Fund, and property funds. There were relatively few negative contributors for the Fund during the year, however a number of long/short and market neutral style investments delivered low returns.

Many investments were added to the portfolio during the year and hence were only held for part of the year.

As at 30 June 2017 the Fund held investments in 29 unlisted funds which represented 60% of the total portfolio, the Affluence LIC Fund represented 20% of the portfolio, other listed investments made up 5% of the portfolio, and the remaining 15% was held in cash.

4. Review of Operations and Results (continued)

For the period until March 2017, the Fund was only available for investment by wholesale and sophisticated investors (as defined by the Corporations Act). In March 2017, the Fund was registered with ASIC and AFM issued a product disclosure statement which allowed the fund to be accessible to all investors in Australia and New Zealand.

5. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Fund during the financial year except as disclosed in the accompanying financial report.

6. Subsequent Events

Since balance date, the Fund has issued an additional 1,343,147 units at an average price of approximately \$1.07 per unit.

Other than as noted above, no matter or circumstance has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- the Fund's operations in future financial years; or
- the results of those operations in future financial years; or
- the Fund's state of affairs in future financial years.

7. Likely Results and Expected Results of Operations

The activities of the Fund are regulated by the Fund's constitution. Owing to the limitations on the scope of activities contained in the constitution, future activities of the Fund will be confined to investment in listed and unlisted assets to provide a mixture of income and capital growth to investors.

8. Environmental Regulation

The directors are not aware of any particular and significant environmental regulation under a law of the Commonwealth, State or Territory relevant to the Fund.

9. Distributions Paid or Payable

Distributions paid/payable to unitholders of the Fund for the year ended 30 June 2017 were \$294,820 (2016: \$44,241). Distributions payable at balance date were \$131,285 (2016: \$15,521).

10. Options

No options over unissued units in the Fund have been issued since inception date and none are on issue at the date of this report.

11. Fees to Responsible Entity

The Responsible Entity does not charge any ongoing fees for management of the Fund. A performance fee of 12.5% of positive returns is payable. Total performance fees paid/payable to the Responsible Entity or its associates during the year were \$45,783 (2016: \$12,281).

12. Units held by Responsible Entity

No units in the Fund have been issued to the Responsible Entity since the beginning of the year and none are on issue at the date of this report.

During the year, entities related to both AFM and Daryl Wilson acquired 8,236 units (2016: 498,730) in the Fund. At the end of the year, those same entities held 506,966 units (2016: 498,730 units) in the Fund.

13. Indemnifying Officers or Auditors

No indemnities have been given during or since the end of the financial year, for any person who is or has been an officer or auditor of the Fund. No insurance premiums have been paid for out of the assets of the Fund in regards to insurance provided to the Responsible Entity or the auditors of the Fund.

14. Issued Units

A total of 4,019,046 units (2016: 1,627,072) were issued in the Fund during the year. No units in the Fund were redeemed by investors during the year (2016: nil).

There were 5,845,069 (2016: 1,826,023) issued units in the Fund as at the end of the financial year.

15. Value of Fund Assets

At balance date, the Fund held investments valued at \$5,403,952 (2016: \$1,630,643) and net assets attributable to unitholders of \$6,223,592 (2016: \$1,894,765). This represents net tangible assets of \$1.06 (2016: \$1.04) per unit, excluding any allowance for disposal costs.

16. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this report.

Signed in accordance with a resolution of the directors of Affluence Funds Management Limited.



Daryl Wilson
Director

26 September 2017



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

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The Directors
Affluence Investment Fund
Level 5, 320 Adelaide Street
Brisbane QLD 4000

Auditor's Independence Declaration

As lead auditor for the audit of Affluence Investment Fund for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

PITCHER PARTNERS

Nigel Batters
Partner

Brisbane, Queensland
26 September 2017

**Affluence Investment Fund
Statement of Comprehensive Income
For the year ended 30 June 2017**

	2017	2016
	\$	\$
Investment income		
Distribution income	223,257	36,789
Dividend income	3,939	4,201
Interest income	12,815	4,050
Net change in fair value of investments	111,430	52,794
Other income	9,629	722
Net investment income	361,070	98,556
Expenses		
Brokerage	1,486	1,745
Fund administration costs	9,703	2,332
Other expenses	-	1
Performance fees	45,783	12,281
Total expenses	56,972	16,359
Profit	304,098	82,197
Other comprehensive income	-	-
Total comprehensive income	304,098	82,197

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

**Affluence Investment Fund
Balance Sheet
As at 30 June 2017**

	Note	2017 \$	2016 \$
Assets			
Cash and cash equivalents		1,129,185	395,121
Receivables	5	197,611	45,727
Investments at fair value through profit or loss	6	5,403,952	1,630,643
Total assets		6,730,748	2,071,491
Liabilities			
Payables	7	375,871	161,205
Distributions payable		131,285	15,521
Total liabilities		507,156	176,726
Net assets		6,223,592	1,894,765
Equity			
Contributed equity	8	6,175,344	1,855,795
Retained earnings		48,248	38,970
Total equity		6,223,592	1,894,765

The above balance sheet should be read in conjunction with the accompanying notes.

Affluence Investment Fund
Statement of Changes in Equity
For the year ended 30 June 2017

2017	Note	Contributed Equity \$	Retained earnings \$	Total equity \$
Balance at the beginning of the year		1,855,795	38,970	1,894,765
Total comprehensive income		-	304,098	304,098
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	8	4,186,000	-	4,186,000
Reinvestment of distributions	8	97,656	-	97,656
Rebate of fees	8	35,893	-	35,893
Redemptions	8	-	-	-
Distributions paid/payable	3	-	(294,820)	(294,820)
Total transactions with unitholders		4,319,549	(294,820)	4,024,729
Balance at the end of the year		6,175,344	48,248	6,223,592
2016				
Balance at the beginning of the year		194,264	1,014	195,278
Total comprehensive income		-	82,197	82,197
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	8	1,647,000	-	1,647,000
Reinvestment of distributions	8	11,970	-	11,970
Rebate of fees	8	2,561	-	2,561
Redemptions	8	-	-	-
Distributions paid/payable	3	-	(44,241)	(44,241)
Total transactions with unitholders		1,661,531	(44,241)	1,617,290
Balance at the end of the year		1,855,795	38,970	1,894,765

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

Affluence Investment Fund
Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Distributions received		57,324	9,632
Dividends received		3,939	4,201
Interest received		11,847	4,050
Other income received		7,041	-
Cash payments in the course of operations		(17,657)	(2,812)
Net cash provided by operating activities	11(a)	62,494	15,071
Cash flows from investing activities			
Proceeds from sale of investments at fair value through profit or loss		873,932	184,867
Payments for investments at fair value through profit or loss		(4,446,972)	(1,631,223)
Net cash used in investing activities		(3,573,040)	(1,446,356)
Cash flows from financing activities			
Proceeds from issue of units		4,326,009	1,797,000
Payment of redemptions		-	-
Payment of distributions		(81,399)	(22,850)
Net cash provided by financing activities		4,244,610	1,774,150
Net increase in cash and cash equivalents		734,064	342,864
Cash and cash equivalents at the beginning of the year		395,121	52,257
Cash and cash equivalents at the end of the year		1,129,185	395,121

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

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report of the Affluence Investment Fund (the "Fund") are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial report includes financial statements for the Fund as an individual entity.

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Affluence Investment Fund is a for-profit entity for the purpose of preparing financial statements.

(i) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

(ii) Historical cost convention

The financial report is prepared on the historical cost basis except that investments at fair value through profit or loss are measured at fair value. The methods used to measure fair values are discussed below.

(iii) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Fund's functional currency.

(b) Investment income

Distributions and dividends

Distribution and dividend income is recognised on a receivable basis when the right to receive payment is established. For listed investments, this is the date the security value is quoted ex-distribution. For unlisted investments, distribution and dividend income is recognised on an entitlement basis.

Interest

Interest revenue is recognised as it accrues using the effective interest method.

(c) Income tax

Under current income tax legislation, the Fund is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders. The liability for capital gains tax that may arise if the assets of the Fund were sold is not accounted for in this report.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Receivables

Receivables are recorded at amortised cost less impairment. Receivables may include amounts for dividends, interest and distributions.

Collectability of trade and other receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

1. Summary of Significant Accounting Policies (continued)

(f) Investments at fair value through profit or loss

Investments at fair value through profit or loss include ASX listed equity securities held for trading purposes and investments in unlisted unit trusts that are not held for trading purposes but are designated upon initial recognition at fair value through profit or loss.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments held at fair value through profit or loss are initially measured at fair value. Subsequent to initial recognition investments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

For listed investments, the fair value is determined by reference to the final closing price on the relevant market. For unlisted investments, fair value is determined by reference to the most recent unit price issued by the underlying manager.

(g) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost. These amounts generally represent liabilities for goods and services provided to the Fund prior to the end of the year which are unpaid. The amounts are usually unsecured and paid within 30-60 days of recognition.

(h) Contributed equity

A financial instrument that includes a contractual obligation for the Fund to deliver to each instrument holder their pro rata share of the Fund's net assets on liquidation is classified as an equity instrument (contributed equity) when it has all the following features:

- (a) The instrument entitles each instrument holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation. The Fund's net assets are those assets that remain after deducting all other claims on the entity's assets. A pro rata share is determined by dividing the net assets of the Fund at the end of its term into units of equal amount and multiplying that amount by the number of units held by the instrument holder.
- (b) The instrument is subordinate to all other classes of financial instruments of the Fund. For this to be the case, the instrument must give the instrument holder no priority over other claims to the assets of the Fund on liquidation and must not need to be converted into another instrument to be in a class of instruments that is subordinate to all other classes of instruments.
- (c) All instruments in the class of instruments must have an identical contractual obligation for the entity to deliver a pro rata share of its net assets on liquidation.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(j) New accounting standards and interpretations

(i) New and amended standards

During the year no new accounting standards came into effect. Amendments to existing accounting standards that came into effect have not affected the Fund's accounting policies or any of the disclosures.

1. Summary of Significant Accounting Policies (continued)

(j) New Accounting Standards and Interpretations

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

Relevant accounting standards and interpretations that have been issued or amended but are not yet effective and have not been adopted for the year are as follows:

Standard/Interpretation	Application date of standard	Application date for the Fund
AASB 9 <i>Financial Instruments</i>	1 Jan 2018	1 Jul 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	1 Jan 2018	1 Jul 2018

The Directors of the Responsible Entity anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

AASB 9 *Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2015, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

The new classification, measurement and derecognition rules of AASB 9 may only affect financial assets that are classified as available-for-sale or are designated at fair value through profit or loss and are held both for collecting contractual cash flows and sales integral to achieving the objective of the business model as well as financial liabilities designated at fair value through profit or loss. The Fund does not carry such financial assets or financial liabilities and therefore the Directors do not expect that the new Accounting Standard will have a material impact on the Fund's accounting for financial assets or financial liabilities.

The new hedging rules align hedge accounting more closely with an entity's risk management practices. As a general rule, it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The Fund does not carry any hedging instruments. The Fund intends to adopt the new standard from 1 July 2018.

AASB 15 *Revenue from Contracts with Customers*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard introduces a new five-step model to determine when to recognise revenue and at what amount. The Directors do not believe that the new Accounting Standard will change how revenue is recognised by the Fund.

2. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the Directors 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 these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical or professional experience and other factors such as expectations about future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

As at 30 June 2017 and 30 June 2016 the only assets carried at fair value are investments at fair value through profit or loss. Detailed information about the fair value measurement of these financial instruments is contained in note 10 (d).

3. Distributions

The Fund paid distributions of 7.06 cents per unit (2016: 3.40 cents per unit).

	2017 \$	2016 \$
Distributions paid / payable	294,820	44,241

Distributions payable at balance date relate to June monthly distributions, which were paid in July.

4. Remuneration of Auditor

During the year the following fees were paid or payable for services provided by the auditor of the Fund.

Audit services

Pitcher Partners

<ul style="list-style-type: none"> • Audit of the financial report 	5,000	5,000
	5,000	5,000

Remuneration was paid/payable by the Responsible Entity of the Fund.

There were no fees paid to the auditor for other services.

5. Receivables

Amounts receivable from brokers	-	16,241
Distributions receivable	193,114	28,544
Other receivables	4,497	942
Receivables	197,611	45,727

Past due but not impaired receivables

At balance date, no trade and other receivables were past due but not impaired.

Impaired receivables

At balance date, no receivables have been determined to be impaired.

6. Investments at Fair Value Through Profit or Loss

Listed securities at fair value	257,157	402,386
Unlisted securities at fair value	5,046,795	1,138,257
Unlisted equity securities awaiting issue	100,000	90,000
Investments at fair value through profit or loss	5,403,952	1,630,643

Fair value measurement

For details about the fair value measurement of the Fund's financial instruments refer to note 10(d).

7. Payables

Units not yet issued	290,009	150,000
Amounts payable to brokers	71,234	-
Other payables	14,628	11,205
Payables	375,871	161,205

8. Contributed equity

	2017		2016	
	Number #	Value \$	Number #	Value \$
Contributed equity	5,845,069	6,175,344	1,826,023	1,855,795
Movement in contributed equity during the-year				
Balance at the beginning of the year	1,826,023	1,855,795	198,951	194,264
Units issued:				
• For cash	3,893,851	4,186,000	1,612,778	1,647,000
• Reinvestment of distributions	91,368	97,656	11,766	11,970
• For services (performance fees)	33,827	35,893	2,528	2,561
Units redeemed	-	-	-	-
Balance at end of the year	5,845,069	6,175,344	1,826,023	1,855,795

Units in the Fund entitle the holder to participate in distributions and proceeds on the winding up of the Fund in proportion to the number of and amounts paid on the units held

On a show of hands each unitholder present at a meeting in person or by proxy is entitled to one vote, and on a poll each member has one vote for each dollar of the value of the total units they have in the Fund.

Units are issued by the Fund at a unit price determined monthly in accordance with the Fund constitution and the Responsible Entity's Unit Pricing Policy.

9. Capital Risk Management

The Fund's capital management strategy seeks to maximise unitholder value through optimising the level and use of capital resources and the mix of debt and equity funding.

The Fund's capital management objectives are to:

- ensure the Fund complies with capital and distribution requirements of its constitution;
- ensure sufficient capital resources to support the Fund's operational requirements;
- continue to support the Fund's credit worthiness; and
- safeguard the Fund's ability to continue as a going concern.

The Responsible Entity of the Fund monitors the adequacy of the Fund's capital requirements as part of its overall strategic plan. The Fund's capital structure is continuously reviewed to ensure distributions to members are made within the stated distribution policy.

The Responsible Entity can alter the Fund's capital mix by:

- adjusting the amount of distributions paid to members;
- activating/de-activating the distribution reinvestment plan; and
- selling assets to reduce equity on issue.

10. Financial Risk Management

The Fund's activities expose it to a variety of financial risks, credit risk, liquidity risk and market risk (interest rate risk and price risk). The Fund's overall risk management program focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of the Fund.

The Responsible Entity's management of treasury activities is governed by policies approved by the Directors of the Responsible Entity who monitor the operating compliance and performance as required. The Board provides principles for overall risk management, as well as policies covering specific areas, such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

10. Financial Risk Management (continued)

The Fund holds the following financial instruments:

	2017	2016
	\$	\$
Financial Assets		
Cash and cash equivalents ⁽¹⁾	1,129,185	395,121
Trade and other receivables ⁽¹⁾	197,611	45,727
Investments at fair value through profit and loss ⁽²⁾	5,403,952	1,630,243
Total financial assets	6,730,748	2,071,491
Financial Liabilities		
Trade and other payables ⁽³⁾	375,811	161,205
Distributions payable ⁽³⁾	131,285	15,521
Total financial liabilities	507,156	176,726

- (1) Loans and receivables
(2) At fair value – designated
(3) At amortised cost

(a) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to the Fund. The Fund has exposure to credit risk on all financial assets included in its statement of financial position.

The Fund manages this risk by monitoring the credit quality of all financial assets in order to identify any potential adverse changes in credit quality and regularly monitoring receivables on an ongoing basis.

The maximum exposure to credit risk as at balance date is the carrying amounts of financial assets recognised in the balance sheet of the Fund. The Fund holds no significant collateral as security. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves and finance facilities to meet the ongoing operational requirements of the business. It is the Responsible Entity's policy to maintain sufficient funds in cash and cash equivalents to meet expected near term operational requirements. The Responsible Entity monitors the Fund's cash requirements and raises funds as and when appropriate to meet planned requirements. The Responsible Entity prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

At 30 June 2017 and 30 June 2016 all financial liabilities were due within one year.

(c) Market risk

(i) Interest rate risk

The Fund does not carry any interest bearing liabilities and is therefore not exposed to any material interest rate risk.

(ii) Price risk – listed equity securities

The Fund is exposed to equity price risk in relation to its investments in listed securities. The investments are recognised as financial assets at fair value through profit or loss in the balance sheet. The price of listed securities is dependent on equity market movements. While the Fund cannot mitigate the risk of general market movements in equity security prices it reduces risk by careful management of the overall equities allocation within the investment portfolio, with the aim of maximising diversification and in so doing minimising volatility.

Sensitivity analysis – equity securities price risk

The table below details Fund's sensitivity to movements in the fair value of the Fund's investments at fair value through profit or loss:

	Profit/(loss)		Equity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Equity value of listed security portfolio increases by 1%	2,572	4,023	2,572	4,023
Equity value of listed security portfolio decreases by 1%	(2,572)	(4,023)	(2,572)	(4,023)

10. Financial Risk Management (continued)

(c) Market risk (continued)

(iii) Price risk - unlisted financial assets

The Fund is exposed to equity price risk in relation to its investments in unlisted funds. These are classified as investments at fair value through profit or loss. The investments are recognised as financial assets at fair value through profit or loss in the balance sheet.

The price of unlisted funds is dependent on movements in value of the underlying investments held by each fund. While the Fund cannot mitigate the risk of general market movements in asset prices, it seeks to reduce risk by careful management of the overall investment portfolio, with the aim of maximising diversification and in so doing minimising volatility.

Allocations across both listed and unlisted investments, multiple asset classes, many differentiated strategies and an allocation to cash assist to reduce risk.

Sensitivity analysis – unlisted investments price risk

The table below details Fund's sensitivity to movements in the fair value of the Fund's unlisted investments at fair value through profit or loss:

	Profit/(loss)		Equity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net asset value of unlisted funds increase by 1%	50,468	11,383	50,468	11,383
Net asset value of unlisted funds decrease by 1%	(50,468)	(11,383)	(50,468)	(11,383)

(d) Fair value measurement of financial instruments

Disclosed fair values

The carrying amounts of receivables, payables and distributions payable are assumed to approximate their fair values due to their short-term nature.

Fair value hierarchy

Fair value that is determined by reference to actively trading markets is considered a level 1 fair value measurement as described in AASB 13 *Fair Value Measurement*.

The fair value of financial instruments that are not traded in an active market 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.

Fair value of investments at fair value through profit or loss

The Fund holds financial instruments measured at fair value which are investments in both ASX listed securities and unlisted trusts.

The fair value measurement for ASX listed securities is considered a level 1 fair value measurement under AASB 7 Financial Instruments: Disclosures as it is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

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.

The fair value measurement for unlisted trust investments are considered level 2 fair value measurements. These investments comprise unlisted equity securities of various managed investment trusts which invest in various different asset classes and utilise different investment strategies. The Fund uses the disclosed unit prices of these trusts to determine the fair value of the equity securities investments as these unit prices are predominantly dependent on the fair value of the underlying investments they hold.

The Fund held no other financial instruments at fair value in the current or prior year and there were no transfers between levels of the fair value hierarchy during the financial year.

11. Cash Flow Information

(a) Reconciliation of Profit to Net Cash Provided by Operating Activities

	2017	2016
	\$	\$
Profit attributable to unitholders	304,098	82,197
Net change in fair value of investments	(111,430)	(52,794)
Distribution income reinvested	(1,364)	-
Performance fees settled through issue of units	35,893	2,561
<i>Changes in operating assets and liabilities:</i>		
Increase in Trade and other receivables	(168,126)	(29,099)
Increase in Payables	3,423	11,205
Net cash provided by operating activities	62,494	15,071
(b) Other non-cash items		
Units issued on reinvestment of distributions	97,656	11,970
Performance fees settled through issue of units	35,893	2,561
	133,549	14,531

12. Related Parties

Related parties are persons or entities that are related to the Fund as defined by AASB 124 Related Party Disclosures. These include directors and other key management personnel of the Responsible Entity and their close family members and any entities they control. They also include any associated entities of the Responsible Entity, such as entities that are also controlled by the Responsible Entity.

This note provides information about transactions with related parties during the year. All the Fund's transactions with related parties are on normal commercial terms and conditions and at market rates.

(a) Key management personnel

The following persons were Directors and other key management personnel ("KMP") of the Responsible Entity from 1 July 2016 to 30 June 2017, unless otherwise stated:

Affluence Funds Management Limited

Non-executive Directors

Karen Prentis Director (appointed 1 September 2016)

Geoff Cannings Director (appointed 1 September 2016)

Executive Director

D J Wilson (CEO/Portfolio Manager)

There were no key management personnel employed by the Fund at any time during the year.

(b) Remuneration

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

(c) Unit holdings/loans

Entities associated with Daryl Wilson held 506,966 units (2016: 498,730 units) in the Fund at balance date and received distributions of \$35,685 (2016: \$16,923).

No other KMPs held any units in the Fund at balance date or during the year.

The Directors and other KMP of the Responsible Entity, including their personally related parties, had no loans payable to/receivable from the Fund during the financial year.

12. Related Parties (continued)

(c) Unit holdings/loans (continued)

The Fund held 1,102,040 units (2016: nil) in the Affluence LIC Fund (ALF) at balance date and received distributions of \$57,857 (2016: \$nil). ALF is a managed investment scheme for which AFM acts as trustee and investment manager. Fees charged in respect of the Funds investment in ALF are rebated in full to the Fund.

(d) Transactions with Responsible Entity and associates

	2017	2016
	\$	\$
Performance fees	45,783	12,281

At balance date, an amount of \$13,846 (2016: \$9,720), owing to the Responsible Entity, is included in payables in the statement of financial position.

13. Commitments/Contingent liabilities

The Directors of the Responsible Entity are not aware of any material commitments or contingent liabilities.

14. Events occurring after the reporting period

Since balance date, the Fund has issued an additional 1,343,147 units at an average price of approximately \$1.07 per unit.

Other than as noted above, since 30 June 2017 there have been no other matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

In the opinion of the Directors of the Responsible Entity, Affluence Funds Management Limited:

- (a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and
- (c) there are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Affluence Funds Management Limited.

A handwritten signature in black ink, consisting of a stylized 'D' followed by a horizontal line and a loop.

D J Wilson
Director

Dated at Brisbane this 26 day of September 2017.



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Independent Auditor's Report to the Members of Affluence Investment Fund

Opinion

We have audited the financial report of Affluence Investment Fund "the Company", which comprises the balance sheet as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- (a) the financial report of the Company is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; 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 1(a)(i).

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, 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

Those charged with governance are responsible for the other information. The other information comprises the information included in the Company's director's report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information 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 Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company'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 Company 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.

We communicate with those charged with governance 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.

Pitcher Partners

PITCHER PARTNERS

Nigel Batters

NIGEL BATTERS

Partner

Brisbane, Queensland

26 September 2017