

# **Financial Report**

## **Affluence LIC Fund**

ABN 52 848 325 376

30 June 2018

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## **DIRECTORY**

### **Trustee:**

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Fax: +61 7 3054 7082  
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### **Auditor:**

Pitcher Partners  
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345 Queen Street  
Brisbane QLD 4000  
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Fax: +61 7 3221 7779  
Website: [www.pitcher.com.au](http://www.pitcher.com.au)

The directors of Affluence Funds Management Limited, the Trustee of the Affluence LIC Fund ("the Fund"), present their report for the financial year ended 30 June 2018.

## 1. Trustee and Investment Manager

Affluence Funds Management Limited ("AFM") acts as trustee, undertakes management and administration duties for the Fund and holds the Fund assets on behalf of unitholders. AFM also acts as investment manager and is responsible for the management and performance of the Fund investment portfolio.

AFM has acted as trustee and investment manager since commencement of the Fund on 5 April 2016.

## 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
- Geoff Cannings

## 3. Principal Activity

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

- access to a diversified portfolio, mostly comprising ASX listed investment companies and trusts ("LICs");
- a minimum distribution yield of 5% per annum, paid quarterly;
- a total annualised return after all fees and costs in excess of the ASX 200 index over rolling 3-year periods; and
- volatility of returns which is significantly less than the ASX 200 index, measured over rolling 3-year periods.

## 4. Review of Operations and Results

The Fund recorded a profit of \$413,736 during the 2018 financial year (2017: \$77,552).

The Fund portfolio, through its LIC investments, provides access to Australian and global equities as well as some exposure to other asset classes. The LICs held by the Fund use a broad range of investment styles and investment strategies. The portfolio is constructed by AFM in a way which is designed to outperform the ASX 200 index most, during significant market corrections.

The table below shows the Fund's performance after fees and costs, against the ASX200 index over various periods to June 2018:

### Fund Performance

To 30 June 2018	1 Month	6 Months	1 Year	2 Years	Inception	Volatility
Affluence LIC Fund	1.1%	2.5%	11.5%	13.0%	12.5%	4.3%
ASX200 Accumulation Index (AI)	3.3%	4.3%	13.0%	13.6%	12.7%	8.6%
<b>Performance compared to ASX200AI</b>	<b>(2.2%)</b>	<b>(1.8%)</b>	<b>(1.5%)</b>	<b>(0.6%)</b>	<b>(0.2%)</b>	

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. Inception date is 3 May 2016.

The Fund delivered total returns (distributions plus growth in the unit price) of 11.5% for the year, compared to the ASX 200 index return of 13.0%. Returns since commencement of the Fund have been 12.5% per annum, compared to the ASX 200 index which has returned 12.7% per annum.

While returns to date have slightly lagged a relatively strong market, volatility (variability of returns) has been very low. Since commencement, volatility of Fund returns has been 4.3%, approximately half that of the ASX 200 index at 8.6%.

At the 30 June 2018, the Fund held investments in 27 LICs, representing 85% of the assets of the Fund. The Fund also held 15% in cash, and a small amount of capital in call and put options.

For the period from inception until 30 June 2017, the only investors in the Fund were funds managed by AFM, AFM staff and their related entities. From 1 July 2017, the Fund was available for investment by wholesale and sophisticated investors (as defined by the Corporations Act).

Current information on the Fund including details of the Fund strategy, performance, portfolio, unit pricing and distributions can be found on the AFM website at [www.affluencefunds.com.au/alf/](http://www.affluencefunds.com.au/alf/).

## 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 337,220 units at an average price of \$1.14 per unit.

Other than as noted above, no matter or circumstance has arisen since 30 June 2018 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 2018 were \$316,819 (2017: \$63,390). Distributions payable at balance date were \$173,956 (2017: \$62,970).

## 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 AFM

AFM 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 AFM during the year were \$60,523 (2017: \$11,342).

## 12. Units held by AFM

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

During the year, an entity related to both AFM and Daryl Wilson acquired 3,216 units (2017: 67,147 units) in the Fund. At the end of the year, that same entity held 70,363 units (2017: 67,147 units) in the Fund.

The largest unitholder in the Fund is the Affluence Investment Fund ("AIF"), a fund managed by AFM. During the year, AIF acquired 496,061 units (2017: 1,102,040 units) in the Fund. At the end of the year, AIF held 1,598,101 units (2017: 1,102,040 units) in the Fund, representing 39.0% of the total units on issue (2017: 91.9% of units on issue).

## 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 for insurance provided to the Trustee or the auditors of the Fund have been paid for out of the assets of the Fund.

**14. Issued Units**

A total of 2,898,923 units (2017: 1,199,438) were issued in the Fund during the year. A total of 5,283 units in the Fund were redeemed by investors during the year (2017: nil).

There were 4,093,078 (2017: 1,199,438) 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 \$4,172,213 (2017: \$1,322,248) and net assets attributable to unitholders of \$4,649,037 (2017: \$1,314,582). This represents net tangible assets of \$1.14 (2017: \$1.10) 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

11 September 2018



# PITCHER PARTNERS

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The Directors  
Affluence LIC Fund  
Level 5, 320 Adelaide Street  
BRISBANE QLD 4000

## Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

*Pitcher Partners*

PITCHER PARTNERS

*Nigel Batters*

NIGEL BATTERS  
Partner

Brisbane, Queensland  
11 September 2018

Ken Ogden  
Nigel Fischer  
Mark Nicholson

Peter Camenzuli  
Jason Evans  
Ian Jones

Kylie Lamprecht  
Norman Thurecht  
Brett Headrick

Warwick Face  
Nigel Batters  
Cole Wilkinson

Simon Chun  
Jeremy Jones  
Tom Splatt

James Field  
Daniel Colwell

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INTERNATIONAL

**Affluence LIC Fund**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2018**

	2018	2017*
	\$	\$
<b>Investment income</b>		
Dividend income	77,966	14,354
Interest income	8,941	6,963
Net change in fair value of investments	396,300	68,708
Other income	12,574	3,413
<b>Net investment income</b>	<b>495,781</b>	<b>93,438</b>
<b>Expenses</b>		
Brokerage	11,602	4,454
Fund administration costs	9,920	90
Performance fees	60,523	11,342
<b>Total expenses</b>	<b>82,045</b>	<b>15,886</b>
<b>Profit</b>	<b>413,736</b>	<b>77,552</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>413,736</b>	<b>77,552</b>

\* Comparatives relate to the period from inception (5 April 2016) to 30 June 2017.

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

**Affluence LIC Fund  
Balance Sheet  
As at 30 June 2018**

	Note	2018 \$	2017* \$
<b>Assets</b>			
Cash and cash equivalents		800,700	1,319,701
Receivables	5	40,920	-
Investments at fair value through profit or loss	6	4,172,213	1,322,248
<b>Total assets</b>		<b>5,013,833</b>	<b>2,641,949</b>
<b>Liabilities</b>			
Payables	7	190,840	1,264,397
Distributions payable		173,956	62,970
<b>Total liabilities</b>		<b>364,796</b>	<b>1,327,367</b>
<b>Net assets</b>		<b>4,649,037</b>	<b>1,314,582</b>
<b>Equity</b>			
Contributed equity	8	4,537,958	1,300,420
Retained earnings		111,079	14,162
<b>Total equity</b>		<b>4,649,037</b>	<b>1,314,582</b>

\* Comparatives relate to the period from inception (5 April 2016) to 30 June 2017.

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



Affluence LIC Fund  
Statement of Changes in Equity  
For the year ended 30 June 2018

2018	Note	Contributed Equity \$	Retained earnings \$	Total equity \$
<b>Balance at the beginning of the year</b>		<b>1,300,420</b>	<b>14,162</b>	<b>1,314,582</b>
<b>Total comprehensive income</b>		-	<b>413,736</b>	<b>413,736</b>
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	8	3,112,000	-	3,112,000
Reinvestment of distributions	8	131,497	-	131,497
Redemptions	8	(5,959)	-	(5,959)
Distributions paid/payable	3	-	(316,819)	(316,819)
<b>Total transactions with unitholders</b>		<b>3,237,538</b>	<b>(316,819)</b>	<b>2,920,719</b>
<b>Balance at the end of the year</b>		<b>4,537,958</b>	<b>111,079</b>	<b>4,649,037</b>
<b>2017*</b>				
<b>Balance at the beginning of the period</b>		-	-	-
<b>Total comprehensive income</b>		-	77,552	77,552
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	8	1,300,000	-	1,300,000
Reinvestment of distributions	8	420	-	420
Redemptions	8	-	-	-
Distributions paid/payable	3	-	(63,390)	(63,390)
<b>Total transactions with unitholders</b>		<b>1,300,420</b>	<b>(63,390)</b>	<b>1,237,030</b>
<b>Balance at the end of the period</b>		<b>1,300,420</b>	<b>14,162</b>	<b>1,314,582</b>

\* Comparatives relate to the period from inception (5 April 2016) to 30 June 2017.

**Affluence LIC Fund  
Statement of Cash Flows  
For the year ended 30 June 2018**

	Note	2018 \$	2017* \$
<b>Cash flows from operating activities</b>			
Dividends received		77,966	14,354
Interest received		8,325	6,963
Other income received		12,574	3,413
Cash payments in the course of operations		<b>(81,237)</b>	<b>(12,521)</b>
<b>Net cash provided by operating activities</b>	11(a)	<b>17,628</b>	<b>12,209</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments at fair value through profit or loss		5,169,450	1,374,509
Payments for investments at fair value through profit or loss		<b>(7,687,784)</b>	<b>(2,587,017)</b>
<b>Net cash used in investing activities</b>		<b>(2,518,334)</b>	<b>(1,212,508)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		2,062,000	2,520,000
Payment of redemptions		<b>(5,959)</b>	-
Payment of distributions		<b>(74,336)</b>	-
<b>Net cash provided by financing activities</b>		<b>1,981,705</b>	<b>2,520,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(519,001)</b>	<b>1,319,701</b>
Cash and cash equivalents at the beginning of the year		<b>1,319,701</b>	-
<b>Cash and cash equivalents at the end of the year</b>		<b>800,700</b>	<b>1,319,701</b>

\* Comparatives relate to the period from inception (5 April 2016) to 30 June 2017.

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 LIC 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 Fund is a for-profit entity for the purpose of preparing financial statements. The Trust was constituted on 5 April 2016. The financial report is for the year ended 30 June 2018. The comparative financial information is for the period from incorporation to 30 June 2017.

#### *(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**

#### *Dividends*

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.

#### *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 and interest.

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.

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.

**(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:

<b>Standard/Interpretation</b>	<b>Application date of standard</b>	<b>Application date for the Fund</b>
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 Trustee 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 2018 and 30 June 2017 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 8.375 cents per unit (2017: 6.09 cents per unit).

	2018	2017
	\$	\$
<b>Distributions paid / payable</b>	<b>173,956</b>	<b>62,970</b>

Distributions payable at balance date relate to June, and 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*

Audit of the financial report	5,000	-
	<b>5,000</b>	-

Remuneration was paid/payable by the Trustee of the Fund.

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

**5. Receivables**

Unsettled trades	40,304	-
Interest receivable	616	-
<b>Receivables</b>	<b>40,920</b>	-

**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	4,172,213	1,322,248
<b>Investments at fair value through profit or loss</b>	<b>4,172,213</b>	<b>1,322,248</b>

**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	170,000	1,220,000
Unsettled trades	16,668	41,033
Other payables	4,172	3,364
<b>Payables</b>	<b>190,840</b>	<b>1,264,397</b>

**8. Contributed equity**

	2018		2017	
	Number #	Value \$	Number #	Value \$
<b>Contributed equity</b>	<b>4,093,078</b>	<b>4,537,958</b>	1,199,438	1,300,420
<b>Movement in contributed equity during the-year</b>				
Balance at the beginning of the year	1,199,438	1,300,420	-	-
Units issued:				
For cash	2,780,923	3,112,000	1,199,019	1,300,000
Reinvestment of distributions	118,000	131,497	419	420
For services (performance fees)	-	-	-	-
Units redeemed	(5,283)	(5,959)	-	-
<b>Balance at end of the year</b>	<b>4,093,078</b>	<b>4,537,958</b>	1,199,438	1,300,420

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 unitholder 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 Trustee'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 Trustee 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 regularly reviewed to ensure distributions to unitholders are made within the stated distribution policy.

The Trustee can alter the Fund's capital mix by:

- adjusting the amount of distributions paid to unitholders;
- 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 Trustee's management of treasury activities is governed by policies approved by the Directors of the Trustee 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:

	2018	2017
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents <sup>(1)</sup>	800,700	1,319,701
Trade and other receivables <sup>(1)</sup>	40,920	-
Investments at fair value through profit and loss <sup>(2)</sup>	4,172,213	1,322,248
<b>Total financial assets</b>	<b>5,013,833</b>	<b>2,641,949</b>
<b>Financial Liabilities</b>		
Trade and other payables <sup>(3)</sup>	190,840	1,264,397
Distributions payable <sup>(3)</sup>	173,956	62,970
<b>Total financial liabilities</b>	<b>364,796</b>	<b>1,314,582</b>

- (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 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 Trustee's policy to maintain sufficient funds in cash and cash equivalents to meet expected near term operational requirements. The Trustee monitors the Fund's cash requirements and raises funds as and when appropriate to meet planned requirements. The Trustee prepares and monitors rolling forecasts of liquidity requirements based on expected cash flow.

At 30 June 2018 and 30 June 2017 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Equity value of listed security portfolio increases by 1%	41,722	13,222	41,722	13,222
Equity value of listed security portfolio decreases by 1%	(41,722)	(13,222)	(41,722)	(13,222)



**10. Financial Risk Management (continued)**

**(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 ASX listed securities.

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 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**

	2018 \$	2017 \$
<b>Profit attributable to unitholders</b>	<b>413,736</b>	77,552
Net change in fair value of investments	<b>(396,300)</b>	(68,708)
<i>Changes in operating assets and liabilities:</i>		
• Increase in Trade and other receivables	<b>(616)</b>	-
• Increase in Payables	<b>808</b>	3,364
<b>Net cash provided by operating activities</b>	<b>17,628</b>	12,209

**(b) Other non-cash items**

Units issued on reinvestment of distributions	<b>131,497</b>	420
	<b>131,497</b>	420

## 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 Trustee and their close family members and any entities they control. They also include any associated entities of the Trustee, such as entities that are also controlled by the Trustee.

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 Trustee from 1 July 2017 to 30 June 2018, unless otherwise stated:

#### **Affluence Funds Management Limited**

##### *Non-executive Directors*

Karen Prentis	Director
Geoff Cannings	Director

##### *Executive Director*

Daryl Wilson	CEO/Portfolio Manager
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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 Trustee of the Fund. Payments made from the Fund to the Trustee do not include any amounts directly attributable to the compensation of key management personnel.

### (c) Unit holdings/loans

Entities associated with Daryl Wilson held 70,363 units (2017: 67,147 units) in the Fund at balance date and received distributions of \$5,893 (2017: \$3,693).

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

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

The Affluence Investment Fund ("AIF") a registered managed investment scheme for which AFM acts as responsible entity held 1,598,101 units (2017: 1,102,040 units) in the Fund at balance date and received distributions of \$124,649 (2017: \$57,857) during the year. Fees charged to the Fund in respect of the AIF investment in the Fund are rebated in full to AIF.

### (d) Transactions with the Trustee and associates

	2018 \$	2017 \$
Performance fees	<b>60,523</b>	11,342

At balance date, an amount of \$7,361 (2017: \$3,868), owing to the Trustee, is included in payables in the statement of financial position.

**13. Commitments/Contingent liabilities**

The Directors of AFM are not aware of any material commitments or contingent liabilities.

**14. Events occurring after the reporting period**

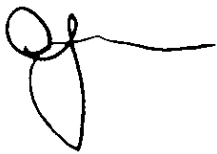
Since balance date, the Fund has issued an additional 337,220 units at an average price of \$1.14 per unit.

Other than as noted above, since 30 June 2018 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 Trustee, 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 2018 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 large loop at the top left, a vertical line extending downwards, and a horizontal line extending to the right.

Daryl Wilson  
Director

11 September 2018.



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## Independent Auditor's Report to the Members of Affluence LIC Fund

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Affluence LIC Fund ("the Company"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Affluence LIC Fund, is in accordance with the *Corporations Act 2001*, including:

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

#### *Basis for Opinion*

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

Ken Ogden  
Nigel Fischer  
Mark Nicholson

Peter Camenzuli  
Jason Evans  
Ian Jones

Kylie Lamprecht  
Norman Thurecht  
Brett Headrick

Warwick Face  
Nigel Batters  
Cole Wilkinson

Simon Chun  
Jeremy Jones  
Tom Splatt

James Field  
Daniel Colwell

### *Other Information*

The directors 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 2018, 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 the Directors for the Financial Report*

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



PITCHER PARTNERS



NIGEL BATTERS  
Partner

Brisbane, Queensland  
11 September 2018