

Financial Report

Affluence LIC Fund

ARSN 634 532 424

30 June 2023

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DIRECTORY

Responsible Entity:

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Fax: +61 7 3054 7082
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Auditor:

Pitcher Partners
Level 38, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel: +61 7 3222 8444
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Website: www.pitcher.com.au

The directors of Affluence Funds Management Limited (**AFM**), the Responsible Entity of the Affluence LIC Fund (**the Fund**), present their report for the financial year ended 30 June 2023.

1. Responsible Entity and Investment Manager

AFM has acted as Responsible Entity of the Fund since registration of the Fund with the Australian Securities and Investments Commission as a retail managed investment scheme on 12 July 2019. AFM has also acted as the trustee and investment manager of the Fund since the commencement of the Fund on 5 April 2016.

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.

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 Accumulation Index (**ASX200 Index**) over rolling 3-year periods.
- 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 \$1,586,982 during the 2023 financial year (2022: loss of \$701,276).

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 table below shows the Fund's performance after fees and costs against the ASX200 Index over various periods to June 2023.

Fund Performance

To 30 June 2023	3 Months	1 Year	3 Years	5 Years	7 Years	Inception
Distributions	1.4%	5.9%	8.8%	8.6%	8.1%	8.0%
Change in Unit Price (Capital Growth)	(2.1%)	2.2%	5.8%	1.6%	2.9%	2.9%
Affluence LIC Fund Total Return	(0.7%)	8.1%	14.6%	10.2%	11.0%	10.9%
ASX200 Accumulation Index (AI)	1.0%	14.8%	11.1%	7.2%	8.9%	8.8%
Performance compared to ASX200AI	(1.7%)	(6.7%)	3.5%	3.0%	2.1%	2.1%

Equity markets delivered above average returns during the 2023 financial year, despite rising interest rates and muted economic growth. The Fund was relatively defensively positioned for much of the year, with higher than usual cash balances, and some hedging in place.

The Fund delivered total returns (distributions plus change in the unit price) of 8.1% for the 2023 financial year, compared to the ASX200 Index return of 14.8%. Returns since the commencement of the Fund have been 10.9% per annum, compared to the ASX200 Index return of 8.8% per annum. Volatility (variability of returns) since commencement has been 8.8%, compared to 14.4% for the ASX 200 Index.

At balance date, the Fund held investments in 37 LICs, representing 76% of the Fund's assets. The Fund also held 3% in portfolio hedges and 21% in cash.

At balance date, many LICs were trading at a higher than average discount to their underlying net tangible asset values. This discount has the potential to improve in future periods.

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/.

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 301,473 units at an average price of \$1.24 per unit and redeemed 552,389 units at an average price of \$1.25 per unit.

Other than as noted above, no matter or circumstance has arisen since 30 June 2023 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 Fund's constitution regulates the activities of the Fund. 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 2023 were \$1,178,491 (2022: \$2,156,624). Distributions payable at balance date were \$304,923 (2022: \$1,421,636).

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 fixed fees for management of the Fund. Instead, a performance fee of 12.5% of positive returns is payable monthly. Total performance fees paid/payable to the Responsible Entity or its associates during the year were \$51,107 (2022: \$133,198).

12. Units held by Responsible Entity

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

During the year, entities related to both AFM and Daryl Wilson held 70,363 units (2022: 70,363 units) in the Fund. There were no changes to the number of units held during the current or previous financial years.

The largest unitholder in the Fund is the Affluence Investment Fund (**AIF**), a fund managed by AFM. During the year, AIF acquired 1,202,055 units (2022: 1,539,749 units) and redeemed nil units (2022: nil units) in the Fund. At the end of the year, AIF held 5,692,377 units (2022: 4,490,322 units) in the Fund, representing 32.6% (2022: 29.1%) of the total 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 Responsible Entity or the auditors of the Fund have been paid for out of the assets of the Fund.

14. Issued Units

A total of 3,434,366 units in the Fund were issued during the year (2022: 6,046,443 units). A total of 1,368,097 units in the Fund were redeemed during the year (2022: 1,816,737 units redeemed).

There were 17,489,081 (2022: 15,422,812) issued units in the Fund at the end of the financial year.

15. Value of Fund Assets

At balance date, the Fund held investments valued at \$16,935,512 (2022: \$17,536,609) and net assets attributable to unitholders of \$21,500,165 (2022: \$18,545,528). This represents net tangible assets of \$1.23 (2022: \$1.20) per unit, excluding any allowance for disposal costs.

16. Rounding of amounts to the nearest dollar

Amounts in the director's report have been rounded to the nearest dollar in accordance with *ASIC Corporations Instruments 2016/191*, unless otherwise indicated.

17. 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

20 September 2023

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The Directors
Affluence LIC Fund
Level 22, 127 Creek Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2023, 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 (including Independence Standards)*.

Pitcher Partners
PITCHER PARTNERS



CHERYL MASON
Partner

Brisbane, Queensland
20 September 2023

Affluence LIC Fund
Statement of Comprehensive Income
For the year ended 30 June 2023

	2023 \$	2022 \$
Investment income		
Distribution income	594,351	391,460
Dividend income	523,141	438,894
Interest income	209,883	23,254
Net change in fair value of investments income	396,657	-
Other income	-	14,321
Net investment income	1,724,032	867,929
Expenses		
Brokerage	33,010	43,249
Fund administration costs	52,933	49,009
Net change in fair value of investments loss	-	1,343,749
Performance fees	51,107	133,198
Total expenses	137,050	1,569,205
Profit/(loss)	1,586,982	(701,276)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	1,586,982	(701,276)

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

**Affluence LIC Fund
Statement of Financial Position
As at 30 June 2023**

	Note	2023 \$	2022 \$
Assets			
Cash and cash equivalents	11a	4,838,762	3,229,416
Receivables	5	79,523	153,370
Investments at fair value through profit or loss	6	16,935,512	17,536,609
Total assets		21,853,797	20,919,395
Liabilities			
Payables	7	48,709	952,231
Distributions payable	3	304,923	1,421,636
Total liabilities		353,632	2,373,867
Net assets		21,500,165	18,545,528
Equity			
Contributed equity	8	21,310,982	18,764,836
Retained earnings/(Accumulated losses)		189,183	(219,308)
Total equity		21,500,165	18,545,528

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

Affluence LIC Fund
Statement of Changes in Equity
For the year ended 30 June 2023

2023	Note	Contributed Equity \$	Retained earnings/ (Accumulated losses) \$	Total equity \$
Balance at the beginning of the year		18,764,836	(219,308)	18,545,528
Profit/(loss) for the year		-	1,586,982	1,586,982
Other comprehensive income		-	-	-
Total comprehensive profit/(loss)		-	1,586,982	1,586,982
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	8	2,887,500	-	2,887,500
Reinvestment of distributions	8	1,347,971	-	1,347,971
Redemptions	8	(1,689,325)	-	(1,689,325)
Distributions paid/payable	3	-	(1,178,491)	(1,178,491)
Total transactions with unitholders		2,546,146	(1,178,491)	1,367,655
Balance at the end of the year		21,310,982	189,183	21,500,165
2022				
Balance at the beginning of the year		12,835,383	2,638,592	15,473,975
Profit/(loss) for the year		-	(701,276)	(701,276)
Other comprehensive income		-	-	-
Total comprehensive profit		-	(701,276)	(701,276)
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued				
For cash	8	7,712,050	-	7,712,050
Reinvestment of distributions	8	712,182	-	712,182
Redemptions	8	(2,494,779)	-	(2,494,779)
Distributions paid/payable	3	-	(2,156,624)	(2,156,624)
Total transactions with unitholders		5,929,453	(2,156,624)	3,772,829
Balance at the end of the year		18,764,836	(219,308)	18,545,528

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

**Affluence LIC Fund
Statement of Cash Flows
For the year ended 30 June 2023**

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Dividends received		456,447	437,465
Distributions received		641,285	302,800
Interest received		209,883	23,254
Other income received		-	14,321
Cash payments in the course of operations		(150,431)	(285,382)
Net cash provided by operating activities	11(b)	1,157,184	492,458
Cash flows from investing activities			
Proceeds from sale of investments		15,935,120	18,050,720
Payments for investments		(14,898,900)	(22,758,256)
Net cash provided by/(used in) investing activities		1,036,220	(4,707,536)
Cash flows from financing activities			
Proceeds from issue of units		2,052,500	7,015,050
Payment of redemptions	8	(1,689,325)	(2,494,779)
Payment of distributions		(947,233)	(607,645)
Net cash (used in)/provided by financing activities		(584,058)	3,912,626
Net increase/(decrease) in cash and cash equivalents		1,609,346	(302,452)
Cash and cash equivalents at the beginning of the year		3,229,416	3,531,868
Cash and cash equivalents at the end of the year	11(a)	4,838,762	3,229,416

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. The Fund ends on the date determined by the responsible entity or at any earlier time earlier provided by the fund's deed or by law. 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 Fund was constituted on 5 April 2016. The financial report is for the year ended 30 June 2023. The comparative financial information is for the year ended 30 June 2022.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets. The fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such it is expected that a portion of the portfolio will be released within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

(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.

(iv) Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest dollar, unless otherwise indicated.

(v) Segment information

The Fund operates in one segment, being investment in listed securities. The Fund earns investment income and derives capital appreciation from investment in ASX listed securities in Australia.

(b) Investment income

(i) Dividends and distributions

Dividend and distribution income are recognised on a receivable basis when the right to receive payment is established. For listed investments, this is usually the date the security value is quoted ex dividend/distribution.

(ii) 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. Therefore, 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) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impaired receivables.

For details about the impairment of trade and other receivables, refer to note 1(f).

1. Summary of Significant Accounting Policies (continued)

(f) Financial Instruments

(i) *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Fund commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

(ii) *Classification of financial assets*

Financial assets recognised by the Fund are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Fund irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVTOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVTOCI are classified as subsequently measured at amortised cost, FVTOCI or fair value through profit or loss (FVTPL) based on both:

- The Fund's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial asset.

(iii) *Classification of financial liabilities*

All financial liabilities recognised by the Fund are subsequently measured at amortised cost.

(iv) *Investments at fair value through profit or loss*

Investments at fair value through profit or loss comprise those ordinary shares and options in listed entities that have been acquired by the Fund principally for sale in the near term. Held for trading investments are classified (and measured) 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.

(v) *Impairment of financial assets*

The Fund recognises a loss allowance for expected credit losses on trade receivables that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Fund applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(g) Payables

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

Where the fund has received cash through investment applications but has not yet issued the units to the investor, the funds received are recognised as a payable until the fund has issued the units.

(h) Distributions

Distributions are payable as set out in the Fund's product disclosure statement. Such distributions are recognised as payable when they are determined by the responsible entity of the Fund.

1. Summary of Significant Accounting Policies (continued)

(i) 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 which are in accordance with AASB 132 *Financial Instruments*:

- 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.
- 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.
- 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.

(j) 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.
- 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.

(k) New accounting standards and interpretations

(i) New and amended standards

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

(ii) New and revised accounting requirements not yet mandatory or early adopted

Certain new accounting standards and amendments have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Company. It is not expected that these new standards or amendments will have a material impact on the entity in future reporting periods.

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 2023 and 30 June 2022, 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 7.0 cents per unit (2022: 14.5 cents per unit).

	2023	2022
	\$	\$
Distributions paid / payable	1,178,491	2,156,624

Distributions payable at balance date of \$304,923 (2022: \$1,421,636) relate to the June quarter 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 and review of the financial report	15,200	14,500
Audit of the compliance plan	9,550	9,100
24,750	24,750	23,600

Remuneration was paid/payable by the Responsible Entity. There were no fees paid to the auditor for other services.

5. Receivables

Distributions receivable	41,726	88,660
Dividends receivable	-	1,429
GST receivable	2,889	1,267
Unsettled trades	34,908	62,014
Receivables	79,523	153,370

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	16,935,512	17,536,609
Investments at fair value through profit or loss	16,935,512	17,536,609

Fair value measurement

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

7. Payables

	2023	2022
	\$	\$
Units not yet issued	25,000	860,000
Unsettled trades	14,471	71,235
Other payables	9,238	20,996
Payables	48,709	952,231

8. Contributed equity

	2023		2022	
	Number #	Value \$	Number #	Value \$
Contributed equity	17,489,081	21,310,982	15,422,812	18,764,836
Movement in contributed equity during the year				
Balance at the beginning of the year	15,422,812	18,764,836	11,193,106	12,835,383
Units issued:				
For cash	2,328,566	2,887,500	5,534,526	7,712,050
Reinvestment of distributions	1,105,800	1,347,971	511,917	712,182
Units redeemed	(1,368,097)	(1,689,325)	(1,816,737)	(2,494,779)
Balance at the end of the year	17,489,081	21,310,982	15,422,812	18,764,836

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.

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

Units in the Fund are issued and redeemed at unit prices 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 creditworthiness.
- 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 regularly reviewed to ensure distributions to unitholders 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 unitholders.
- Activating/deactivating the distribution reinvestment plan.
- 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.

The Fund holds the following financial instruments:

	2023 \$	2022 \$
Financial Assets		
Cash and cash equivalents ⁽¹⁾	4,838,762	3,229,416
Trade and other receivables ⁽¹⁾	76,634	152,103
Investments at fair value through profit and loss ⁽²⁾	16,935,512	17,536,609
Total financial assets	21,850,908	20,918,128
Financial Liabilities		
Trade and other payables ⁽¹⁾	44,345	952,231
Distributions payable ⁽¹⁾	304,923	1,421,636
Total financial liabilities	349,268	2,373,867

(1) At amortised costs; and

(2) At fair value through profit or loss

(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 Fund holds no significant collateral as security. The fund does not have any significant credit risk exposure to any single counterparties having similar characteristics, other than cash and cash equivalents which are held with high credit quality financial institutions.

The maximum exposure to credit risk as at balance date is the carrying amounts of financial assets recognised in the statement of financial position 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 based on expected cash flow.

At 30 June 2023 and 30 June 2022, all financial liabilities were due within one month.

(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 statement of financial position. 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.

10. Financial Risk Management (continued)

(iii) Sensitivity analysis – equity securities price risk

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

	Profit/(loss)		Equity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Equity value of listed security portfolio increases by 5%	846,776	876,830	846,776	876,830
Equity value of listed security portfolio decreases by 5%	(846,776)	(876,830)	(846,776)	(876,830)

(d) Fair value measurement of financial instruments

(i) Fair value hierarchy

Fair value determined by reference to actively trading markets is considered a level 1 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.

(ii) 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 fair value hierarchy 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.

(e) Fair value of other financial instruments not measured at fair value

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

11. Cash Flow Information

(a) Reconciliation of cash

Cash at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the statement of financial position as follows:

	2023	2022
	\$	\$
Cash on hand	4,838,762	3,229,416

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

Profit/(loss) attributable to unitholders	1,586,982	(701,276)
Net change in fair value of investments	(396,657)	1,343,749
Distribution income reinvested	(68,123)	-
<i>Changes in operating assets and liabilities:</i>		
• (Increase)/decrease in trade and other receivables	46,741	(43,948)
• Increase/(decrease) in payables	(11,759)	(106,067)
Net cash provided by operating activities	1,157,184	492,458

(c) Other non-cash items

Units issued on reinvestment of distributions	1,347,971	712,182
	1,347,971	712,182

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 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 2022 to 30 June 2023, 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 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) Unitholdings and loans

Entities associated with Daryl Wilson held 70,363 units (2022: 70,363 units) in the Fund at balance date and received distributions of \$4,925 (2022: \$10,203) during the year.

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 or receivable from the Fund during the year.

The Affluence Investment Fund (**AIF**), a registered managed investment scheme for which AFM acts as responsible entity, held 5,692,377 units (2022: 4,490,322 units) in the Fund at balance date and received distributions of \$390.293 (2022: \$595,613) during the year.

(d) Transactions with the Responsible Entity and associates

	2023	2022
	\$	\$
Performance fees	51,107	133,198

The Responsible Entity does not charge any fixed ongoing fee for management of the Fund. The Responsible Entity charges a performance fee of 12.5% of cumulative positive total returns of the Fund after recovery of any previous underperformance. The performance fee is calculated and paid by the Fund monthly in arrears.

At balance date, \$nil net of recoverable GST (2022: \$nil) 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 301,473 units at an average price of \$1.24 per unit and redeemed 552,389 units at an average price of \$1.25 per unit.

Other than as noted above, since 30 June 2023, 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'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.

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 2023 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.



Daryl Wilson
Director

20 September 2023.

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 Fund"), which comprises the statement of financial position as at 30 June 2023, 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, 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 Fund's financial position as at 30 June 2023 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 Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Fund's directors report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors 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 Fund'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 Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

Pitcher Partners
PITCHER PARTNERS

Mason

CHERYL MASON
Partner

Brisbane, Queensland
20 September 2023