Financial Report

Affluence LIC Fund

ARSN 634 532 424

30 June 2019

CONTENTS **PAGE**

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The directors of Affluence Funds Management Limited, the Responsible Entity of the Affluence LIC Fund ("the Fund"), present their report for the financial year ended 30 June 2019.

1. Responsible Entity and Investment Manager

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

Affluence Funds Management Limited ("AFM") has acted as Responsible Entity since registration of the Fund with ASIC on 12 July 2019, and 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 $11,173 during the 2019 financial year (2018: $413,736).

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 2019:

Fund Performance

To 30 June 2019	1 Month	1 Year	2 Years	3 Years	Inception	Volatility
Affluence LIC Fund	(0.8%)	0.3%	5.8%	8.6%	8.5%	5.0%
ASX200 Accumulation Index (AI)	3.7%	11.5%	12.3%	12.9%	12.4%	9.2%
Performance compared to ASX200AI	(4.5%)	(11.2%)	(6.5%)	(4.3%)	(3.9%)	

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 0.3% for the year, compared to the ASX 200 index return of 11.5%. Returns since commencement of the Fund have been 8.5% per annum, compared to the ASX 200 index which has returned 12.4% per annum.

Returns for the 2019 financial year were significantly impacted by a substantial increase in the average discount to Net Tangible Asset value for LICs. This abnormally large discount is expected to reverse in subsequent periods.

Volatility (variability of returns) has been much lower than the ASX200. Since commencement, volatility of Fund returns has been 5.0%, compared to 9.2% for the ASX 200 index.

At the 30 June 2019, the Fund held investments in 32 LICs, representing 93% of the assets of the Fund. The Fund also held 7% in cash.

From 1 July 2017, until 30 June 2019, the Fund was only 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/.

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 505,202 units at an average price of $1.10 per unit and redeemed 478,534 units at an average price of $1.12 per unit.

On 12 July 2019 the Fund was registered with the Australian Securities and Investments Commission as a retail managed investment scheme. On 8 August, the Responsible Entity issued a product disclosure statement which allowed the Fund to be accessible to all investors in Australia and New Zealand.

Other than as noted above, no matter or circumstance has arisen since 30 June 2019 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 2019 were $348,102 (2018: $316,819). Distributions payable at balance date were $143,894 (2018: $173,956).

10. Options

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

11. Fees to Responsible Entity

The Responsible Entity does not charge any ongoing fees for management of the Fund. A performance fee of 12.5% of positive returns is payable. Total performance fees paid/payable to the Responsible Entity or its associates during the year were $26,654 (2018: $60,523).

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, an entity related to both AFM and Daryl Wilson held 70,363 units (2018: 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 593,506 units (2018: 496,061 units) in the Fund. At the end of the year, AIF held 2,191,607 units (2018: 1,598,101 units) in the Fund, representing 41.5% of the total units on issue (2018: 39.0% 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 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 1,187,419 units (2018: 2,898,923 units) were issued in the Fund during the year. No units in the Fund were redeemed by investors during the year (2018: 5,283 units redeemed).

There were 5,280,497 (2018: 4,093,078) issued units in the Fund as at the end of the financial year.

15. Value of Fund Assets

At balance date, the Fund held investments valued at $5,455,825 (2018: $4,172,213) and net assets attributable to unitholders of $5,648,373 (2018: $4,649,037). This represents net tangible assets of $1.07 (2018: $1.14) 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

21 August 2019

PITCHER PARTNERS

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The Directors
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Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2019, 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

NIGEL BATTERS
Partner

Brisbane, Queensland
21 August 2019

	2019 **$**	2018 $
Investment income		
Distribution income	**1,935**	-
Dividend income	**148,409**	77,966
Interest income	**7,496**	8,941
Net change in fair value of investments	**-**	396,300
Other income	**7,424**	12,574
Net investment income	**165,264**	495,781
Expenses		
Brokerage	**11,584**	11,602
Fund administration costs	**13,558**	9,920
Net change in fair value of investments	**102,295**	-
Performance fees	**26,654**	60,523
Total expenses	**154,091**	82,045
Profit	**11,173**	413,736
Other comprehensive income	**-**	-
Total comprehensive profit	**11,173**	413,736

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

	Note	2019 $	2018 $
Assets			
Cash and cash equivalents		**459,201**	800,700
Receivables	5	**198,678**	40,920
Investments at fair value through profit or loss	6	**5,455,825**	4,172,213
Total assets		**6,113,704**	5,013,833
Liabilities			
Payables	7	**321,437**	190,840
Distributions payable		**143,894**	173,956
Total liabilities		**465,331**	364,796
Net assets		**5,648,373**	4,649,037
Equity			
Contributed equity	8	**5,874,223**	4,537,958
Retained earnings/(Accumulated losses)		**(225,850)**	111,079
Total equity		**5,648,373**	4,649,037

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

2019	Note	Contributed Equity $	Retained earnings/ (Accumulated losses) $	Total equity $
Balance at the beginning of the year		**4,537,958**	**111,079**	**4,649,037**
Total comprehensive profit		**-**	**11,173**	**11,173**
Transactions with unitholders in their capacity as unitholders:				
Units issued				
For cash	8	**1,126,000**	**-**	**1,126,000**
Reinvestment of distributions	8	**210,265**	**-**	**210,265**
Redemptions	8	**-**	**-**	**-**
Distributions paid/payable	3	**-**	**(348,102)**	**(348,102)**
Total transactions with unitholders		**1,336,265**	**(348,102)**	**988,163**
Balance at the end of the year		**5,874,223**	**(225,850)**	**5,648,373**

2018	Note	Contributed Equity $	Retained earnings/ (Accumulated losses) $	Total equity $
Balance at the beginning of the year		1,300,420	14,162	1,314,582
Total comprehensive profit		-	413,736	413,736
Transactions with unitholders in their capacity as unitholders:				
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)
Total transactions with unitholders		3,237,538	(316,819)	2,920,719
Balance at the end of the year		4,537,958	111,079	4,649,037

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

	Note	2019 $	2018 $
Cash flows from operating activities			
Dividends received		**148,409**	77,966
Interest received		**7,838**	8,325
Other income received		**4,124**	12,574
Cash payments in the course of operations		**(54,684)**	(81,237)
Net cash provided by operating activities	11(a)	**105,687**	17,628
Cash flows from investing activities			
Proceeds from sale of investments at fair value through profit or loss		**5,180,399**	5,169,450
Payments for investments at fair value through profit or loss		**(6,585,686)**	(7,687,784)
Net cash used in investing activities		**(1,405,287)**	(2,518,334)
Cash flows from financing activities			
Proceeds from issue of units		**1,126,000**	2,062,000
Payment of redemptions		**-**	(5,959)
Payment of distributions		**(167,899)**	(74,336)
Net cash provided by financing activities		**958,101**	1,981,705
Net increase/(decrease) in cash and cash equivalents		**(341,499)**	(519,001)
Cash and cash equivalents at the beginning of the year		**800,700**	1,319,701
Cash and cash equivalents at the end of the year		**459,201**	800,700

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 2019. The comparative financial information is for the year ended 30 June 2018.

(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) 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 the Fund's Trade and other receivables refer to note 1(f)..

(f) Financial Instruments

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

1. Summary of Significant Accounting Policies (continued)

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) on the basis of both:

(a) The Fund's business model for managing the financial assets; and
(b) The contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the Fund for the acquisition of a business, and financial liabilities designated at FVTPL, are subsequently measured at fair value. All other financial liabilities recognised by the Fund are subsequently measured at amortised cost.

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 the purpose of 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.

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:
(a) debt instruments measured at amortised cost;
(b) debt instruments classified at fair value through other comprehensive income; and
(c) receivables from contracts with customers and contract assets.

The Fund applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Fund determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Fund considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The Fund assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The Fund considers a financial asset to have a low credit risk when the counterparty has an external 'investment grade' credit rating (if available) of BBB or higher, or otherwise is assessed by the Fund to have a strong financial position and no history of past due amounts from previous transactions with the Fund.

The Fund assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The Fund determines expected credit losses using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

1. Summary of Significant Accounting Policies (continued)

The Fund has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the Fund's historical experience. Because contract assets are directly related to unbilled work in progress, contract assets have a similar credit risk profile to receivables from contracts with customers. Accordingly, the Fund applies the same approach to measuring expected credit losses of receivables from contracts with customers as it does to measuring impairment losses on contract assets.

The measurement of expected credit losses reflects the Fund's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the Fund's exposure at default, discounted at the financial asset's original effective interest rate.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

(a) Significant financial difficulty of the issuer or the borrower;
(b) Breach of contract;
(c) The lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Fund has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the Fund. Recoveries, if any, are recognised in profit or loss.

(f) 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.

(g) 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.

(h) 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.

1. Summary of Significant Accounting Policies (continued)

(i) New accounting standards and interpretations

(i) New and amended standards

The Fund has applied all the new and revised Australia Accounting standards that apply to annual reporting periods beginning on or after 1 July 2018, including *AASB 9 Financial Instruments* (AASB 9) and *AASB 15 Revenue from Contracts with Customers* (AASB 15)

Standard/Interpretation	**Application date of standard**	**Application date for the Fund**
AASB 9 Financial Instruments	1 Jan 2018	1 July 2018
AASB 15 Revenue from Contracts with Customers	1 Jan 2018	1 July 2018

<u>AASB 9: Financial Instruments</u>

AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortized cost and those measured at fair value;
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortized cost;
- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- Introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment model of previous accounting standard).

In accordance with the transition requirements of AASB 9, the Fund has elected to apply AASB 9 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017). The Fund has also applied to consequential amendments to AASB 7 Financial Instruments: Disclosure to the disclosure of information about the Fund’s financial instruments for the current financial year, and the comparative reporting period.

The application of AASB 9 has not materially impacted the classification and measurement of the Fund’s financial assets and financial liabilities.

Further details of the Fund’s accounting policies in relation to accounting for financial instruments under AASB 9 are contained in note 1(f).

1. Summary of Significant Accounting Policies (continued)

AASB 15: Revenue from Contracts with Customers

AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

In accordance with the transition requirements of AASB 15, the Fund has elected to apply AASB 15 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017).
The application of AASB 15 has not materially impacted the recognition and measurement of the Fund's revenue from contracts with customers.

The impact of the adoption is immaterial and as such, the prior year results have not been restated. Further details of the Fund's accounting policies in relation to revenue are contained in note 1 (b).

(ii) New standards and interpretations not yet adopted

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

Standard/Interpretation	Application date of standard	Application date for the Fund
AASB 16 Leases	1 Jan 2019	1 July 2019

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

AASB 16 *Leases*

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

- Investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- Property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and

Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The directors do not anticipate that the adoption of the new accounting standard AASB 16 will have any impact on the Fund's accounting policies. The Fund intends to adopt the new standard from 1 July 2019.

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 2019 and 30 June 2018 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 (2018: 8.375 cents per unit).

	2019	2018
	$	$
Distributions paid / payable	**143,894**	173,956

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	**5,200**	5,000
	5,200	5,000

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

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

5. Receivables

Distributions receivable	**1,935**	-
GST receivable	**3,300**	-
Interest receivable	**274**	616
Unsettled trades	**193,169**	40,304
Receivables	**198,678**	40,920

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	**5,455,825**	4,172,213
Investments at fair value through profit or loss	**5,455,825**	4,172,213

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**	170,000
Unsettled trades	**150,153**	16,668
Other payables	**1,284**	4,172
Payables	**321,437**	190,840

8. Contributed equity

	2019		2018	
	Number #	**Value $**	Number #	Value $
Contributed equity	**5,280,497**	**5,874,223**	4,093,078	4,537,958
Movement in contributed equity during the year				
Balance at the beginning of the year	**4,093,078**	**4,537,958**	1,199,438	1,300,420
Units issued:				
For cash	**1,000,311**	**1,126,000**	2,780,923	3,112,000
Reinvestment of distributions	**187,108**	**210,265**	118,000	131,497
For services (performance fees)	**-**	**-**	-	-
Units redeemed	**-**	**-**	(5,283)	(5,959)
Balance at end of the year	**5,280,497**	**5,874,223**	4,093,078	4,537,958

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 Responsible Entity's Unit Pricing Policy.

9. Capital Risk Management

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

The Fund's capital management objectives are to:

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

The Responsible Entity of the Fund monitors the adequacy of the Fund's capital requirements as part of its overall strategic plan. The Fund's capital structure is 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/de-activating the distribution reinvestment plan; and
- selling assets to reduce equity on issue.

10. Financial Risk Management

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

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

The Fund holds the following financial instruments:

	2019 **$**	2018 $
Financial Assets		
Cash and cash equivalents (1)	**459,201**	800,700
Trade and other receivables (1)	**198,678**	40,920
Investments at fair value through profit and loss (2)	**5,455,825**	4,172,213
Total financial assets	**6,113,704**	5,013,833
Financial Liabilities		
Trade and other payables (1)	**321,437**	190,840
Distributions payable (1)	**143,894**	173,956
Total financial liabilities	**465,331**	364,796

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

(b) Liquidity risk

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

At 30 June 2019 and 30 June 2018 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.

10. Financial Risk Management (continued)

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	
	2019	2018	**2019**	2019
	$	$	**$**	$
Equity value of listed security portfolio increases by 1%	**54,558**	41,722	**54,558**	41,722
Equity value of listed security portfolio decreases by 1%	**(54,558)**	(41,722)	**(54,558)**	(41,722)

(d) Fair value measurement of financial instruments

Fair value hierarchy

Fair value that is 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.

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 Cash

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

	2019 **$**	2018 $
Cash on hand	**459,201**	800,700

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

	2019 **$**	2018 $
Profit attributable to unitholders	**11,173**	413,736
Net change in fair value of investments	**102,295**	(396,300)
Changes in operating assets and liabilities:		
• Increase in Trade and other receivables	**(4,893)**	(616)
• Increase in Payables	**(2,888)**	808
Net cash provided by operating activities	**105,687**	17,628

(b) Other non-cash items

Units issued on reinvestment of distributions	**210,265**	131,497
	210,265	131,497

12. Related Parties

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

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

(a) Key management personnel

The following persons were Directors and other key management personnel ("KMP") of the Responsible Entity from 1 July 2018 to 30 June 2019, unless otherwise stated:

Affluence Funds Management Limited	
Non-executive Directors	
Karen Prentis	Director
Geoff Cannings	Director
Executive Director	
Daryl Wilson	CEO/Portfolio Manager

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

(b) Remuneration

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

(c) Unit holdings/loans

Entities associated with Daryl Wilson held 70,363 units (2018: 70,363 units) in the Fund at balance date and received distributions of $4,925 (2018: $5,893).

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

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

The Affluence Investment Fund ("AIF") a registered managed investment scheme for which AFM acts as responsible entity held 2,191,607 units (2018: 1,598,101 units) in the Fund at balance date and received distributions of $138,715 (2018: $124,649) 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 Responsible Entity and associates

	2019 **$**	2018 $
Performance fees	**26,654**	60,523

At balance date, an amount of $nil (2018: $7,361), 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 505,202 units at an average price of $1.10 per unit and redeemed 478,534 units at an average price of $1.12 per unit.

On 12 July 2019 the Fund was registered with the Australian Securities and Investments Commission as a retail managed investment scheme. On 8 August, the Responsible Entity issued a product disclosure statement which allowed the Fund to be accessible to all investors in Australia and New Zealand.

Other than as noted above, since 30 June 2019 there have been no other matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

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

(a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:

   (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   (ii) giving a true and fair view of the Fund's financial position as at 30 June 2019 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

21 August 2019.

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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 2019, 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.

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

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
21 August 2019