

AUSTRALIAN ENHANCED INCOME FUND

Appendix 4D

Half Year Report

For the Half Year ended 31 December 2019

Results for Announcement to the Market

Revenue & Profit	Change from previous period	Half year to 31/12/2019	Half year to 31/12/2018
Revenue from ordinary activities	Down 19%	\$349,500	\$430,287
Profit/(loss) from ordinary activities after tax attributable to members	Down 29%	\$288,423	\$408,992
Net profit/(loss) for period attributable to unit holders	Down 29%	\$288,423	\$408,992

Distributions	Half Year to 31/12/2019	Half Year to 31/12/2018
September Quarter cash distribution	8.00 cents per unit	8.75 cents per unit
December Quarter cash distribution	7.00 cents per unit	8.75 cents per unit
Record date for December distribution	31/12/2019	28/12/2018
Payment date for December distribution	15/1/2019	15/1/2018
Estimated franking for December Distribution	39.59%	49.80%
Price of units issued under DRP for December Distribution	n/a	n/a
Price of units issued under DRP for September Distribution	n/a	n/a

Revenue for the 6 months to 31/12/2019 reflected a marginal fall in interest rates.

The profit for the 6 months to 31/12/2019 reflected positive realised and unrealised capital movements. They were less than those experienced in the prior comparative period.

Distributions for the Half Year ending 31 December 2019 were paid in accordance with the Product Disclosure statement (PDS) and the announcements of 5/06/2019 and 2/10/2019, when it was advised that the minimum

distributions would be decreased. Distributions for the Half Year ending 31 December 2019 were \$0.15 cents with estimated franking of 40%.

The Distribution Reinvestment Plan (DRP) was not in operation this half.

Values	Half Year to 31/12/2019	Half Year to 31/12/2018
Net tangible asset per unit	\$5.881	\$5.962
Closing Unit Price (on market)	\$5.99	\$5.80

There was no gain or loss of control of entities during the current period.

The accounts have not been audited but have been subject to a review.

AUSTRALIAN ENHANCED INCOME FUND

ARSN 115 632 990

**INTERIM REPORT
FOR PERIOD ENDED 31 DECEMBER 2019**

**RESPONSIBLE ENTITY
ELSTREE INVESTMENT MANAGEMENT LTD
LEVEL 10, 30 COLLINS ST
MELBOURNE, VIC, 3000**

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
DIRECTORS OF THE RESPONSIBLE ENTITY'S REPORT

The directors of Elstree Investment Management Limited, the Responsible Entity of Australian Enhanced Income Fund (the 'Fund'), submit the interim financial report of the Fund for the half-year ended 31 December 2019.

Directors

The names of directors who held office during or since the end of the half-year:

Campbell Edwin Dawson CFA, B Comm

Chairman

Appointed on 20 February 2003

Campbell Dawson has over 37 years experience in funds management and financial markets both in senior positions with large insurers and as one of the founders of Elstree Investment Management Ltd.

Norman St George Derham B. Ec

Director and Company Secretary

Appointed on 23 February 2003

Norman Derham has worked in financial markets since 1981 with experience in banking, broking and funds management. He is also a founder of Elstree Investment Management Ltd.

John Abbott B.Comm

Director

Appointed on 1 April 2004

John Abbott has worked in funds management and principal trading since 1989. He is a founding director of Elstree Investment Management Ltd.

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

No fees were paid to the directors out of the Fund during the period.

Principal Activities

The principal activity of the Fund during the period is investing in fixed interest securities conducted primarily in Australia.

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's principal activity during the financial period.

Review of Operations

The Fund received \$nil (2018: \$175,000) in applications, and redemptions of \$nil (2018: \$147,450) during the half-year period. The change in the net assets attributable to unitholders of the Fund for the half-year ended 31 December 2019 amounted to \$(208,184) (2018: (\$174,010)).

For the half-year ended 31 December 2019, fees charged by the Responsible Entity were as follows: Management Fees \$79,337 (2018: \$78,478).

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
DIRECTORS OF THE RESPONSIBLE ENTITY'S REPORT

Auditor's Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors of the Responsible Entity, pursuant to section 306 (3)(a) of the Corporations Act 2001.

On behalf of the directors.

A handwritten signature in dark ink, appearing to be 'd', written in a cursive style.

Campbell Dawson
Director

21 February 2020

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF ELSTREE INVESTMENT MANAGEMENT LTD, THE RESPONSIBLE ENTITY OF AUSTRALIAN ENHANCED INCOME FUND

As lead auditor for the review of Australian Enhanced Income Fund for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Tim Aman
Partner

BDO East Coast Partnership

Location, 21 February 2020

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019	31 December 2018
		\$	\$
Investment Income	2	349,500	430,287
Management fees		(79,337)	(78,478)
Fund expenses		(76,696)	(71,233)
Net gain on financial assets held at fair value through profit or loss	2(b)	94,956	128,416
Profit attributable to unitholders before income tax		288,423	408,992
Income tax expense		-	-
Profit attributable to unitholders		288,423	408,992
Finance costs attributable to unit holders:			
Distributions paid or payable to unit holders	3	(496,607)	(583,002)
Decrease in net assets attributable to unitholders		208,184	174,010
Other comprehensive income for the year net of tax		-	-
Total comprehensive income attributable to unitholders		-	-
Earnings Per Unit			
Basic earnings per unit		\$0.09	\$0.12
Diluted earnings per unit		\$0.09	\$0.12

The statement of profit or loss and other comprehensive income should be read in conjunction with accompanying notes.

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 \$	30 June 2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		494,158	281,216
Trade and other receivables		35,795	238,282
Financial assets held at fair value through profit or loss	4	19,374,297	19,608,073
TOTAL ASSETS		19,904,250	20,127,571
CURRENT LIABILITIES			
Trade and other payables		222,936	204,966
Distributions payable		231,750	264,857
TOTAL CURRENT LIABILITIES		454,686	469,823
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		454,686	469,823
Net assets attributable to unitholders	5	19,449,564	19,657,748
TOTAL LIABILITIES		19,904,250	20,127,571

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

AUSTRALIAN ENHANCED INCOME FUND
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STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

In accordance with AASB 132, unitholders' funds are classified as a liability and accordingly the Fund has no equity for financial statement purposes. As a result there was no equity at the start or end of the period and as such the Fund is not required to have a Statement of Changes in Equity.

The accompanying notes form part of these financial statements.

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019	31 December 2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from the sale of securities	6,720,722	8,117,218
Purchase of securities	(6,222,481)	(7,567,021)
Payments to suppliers	(127,460)	(178,426)
Dividends and distributions received	271,750	279,970
Other income received	880	-
Interest received	108,357	148,922
Net cash provided by operating activities	<u>751,768</u>	<u>800,663</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from applications by unit holders	0	150,000
Costs of units redeemed	0	(147,451)
Distributions paid	(538,826)	(578,877)
Net cash used in financing activities	<u>(538,826)</u>	<u>(576,328)</u>
Net increase in cash held	212,942	224,335
Cash and cash equivalents at beginning of period	281,216	322,001
Cash and cash equivalents at end of period	<u>494,158</u>	<u>546,336</u>

The statement of cashflows should be read in conjunction with the accompanying notes.

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: BASIS OF PREPARATION

This general purpose financial report for the half-year ended 31 December 2019 has been prepared and in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Fund as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by the Australian Enhanced Income Fund during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules. The principle policies and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

Reporting Basis and Conventions

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) New, revised or amending Accounting Standards and Interpretations adopted

The Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The fund has considered the implications of new or amended accounting standards but determined that their application to the financial statements is either not relevant or not material.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December	31 December
	2019	2018
	\$	\$
NOTE 2 : INVESTMENT INCOME		
Dividends and distributions	253,950	279,469
Interest	94,670	150,818
Other income	880	-
Total Investment Income	349,500	430,287
NOTE 2(b): NET GAIN ON FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS		
Net gain on securities	94,956	128,416
	94,956	128,416
NOTE 3: DISTRIBUTIONS TO UNITHOLDERS		
Interim distributions paid	264,857	291,501
Distributions payable	231,750	291,501
	496,607	583,002

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 4: NET FAIR VALUE OF ASSETS AND LIABILITIES

The carrying amount of financial assets and liabilities are shown in the Statement of Financial Position at their appropriate fair value.

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of inputs used in making measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets and liabilities (Level 1)
- inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets through profit or loss	18,868,322	505,975	-	19,374,297
Total	18,868,322	505,975	-	19,374,297

As at 30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets through profit or loss	19,104,273	503,800	-	19,608,073
Total	19,104,273	503,800	-	19,608,073

There were no transfers between levels during the half year.

Valuations for fair value measurement categorised in Level 2 were derived from valuations by banks and other intermediaries

AUSTRALIAN ENHANCED INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019 No.	31 December 2019 \$
NOTE 5: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
Opening balance at 1 July	3,310,715	19,657,748
Applications	-	-
Redemptions	-	-
Profit attributable to unitholders	-	288,423
Distributions paid and payable	-	(496,607)
Closing balance at 31 December	<u>3,310,715</u>	<u>19,449,564</u>

	31 December 2018 No	31 December 2018 \$
Opening balance at 1 July	3,306,638	19,509,686
Applications	29,039	175,000
Redemptions	(24,962)	(147,450)
Loss attributable to unitholders	-	408,992
Distributions paid and payable	-	(583,002)
Closing balance at 31 December	<u>3,310,715</u>	<u>19,363,226</u>

NOTE 6: SEGMENT INFORMATION

Australian Enhanced Income Fund is a registered managed investment scheme, incorporated and domiciled in Australia. The Fund's principal activity is investment management, conducted in Australia.

AUSTRALIAN ENHANCED INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 7: CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2019 (June 2019: nil).

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since 31 December 2019 that have significantly affected or may significantly affect the Fund's operations, results of those operations or the Fund's state of affairs in future financial years.

NOTE 9: PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Fund is:
Level 10, 30 Collins St
Melbourne , Victoria, 3000

AUSTRALIAN ENHANCED INCOME FUND
ARSN 115 632 990
DIRECTORS OF THE RESPONSIBLE ENTITY'S DECLARATION

In the directors' opinion:

1. The financial statements and notes, as set out on pages 7 to 15 are in accordance with the *Corporations Act 2001* and:
 - the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements
 - the attached financial statements and notes give a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
 - there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

On behalf of the directors



Campbell Dawson
Director

Dated this 21th day of February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Enhanced Income Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Enhanced Income Fund (the Fund), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the declaration by the directors of the responsible entity.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the responsible entity (the directors) are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2019 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards



and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Elstree Investment Management Ltd, the responsible entity of Australian Enhanced Income Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman', written over a horizontal line.

Tim Aman

Partner

Sydney, 21 February 2020