

## Appendix 4E

### Preliminary Final Report

<b>Name of Entity:</b>	Millinium's Alternatives Fund
<b>ARSN:</b>	121 722 521
<b>Period Ending:</b>	30 June 2017
<b>Previous Reporting Period:</b>	30 June 2016

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2017 \$	Percentage increase/(decrease) over corresponding period
Revenue from continuing operations	1,441,944.00	174%
Profit/(Loss) for the year	406,795.00	1236%
Net profit/(loss) for the year attributable to members	406,795.00	1236%

#### Distribution (dividend) Information

30 June 2017 final distribution	Not applicable
31 December 2016 interim distribution	Not applicable

#### Net Tangible Asset Backing

Net tangible assets per security	2017	2016
	\$6.4739	\$6.2798

#### Dividend Information

Units traded ex-entitlement	Not applicable
Books closed	Not applicable

This report is based on the Annual Report which is in the process of being audited. All documents comprise the information required by Listing Rule 4.3A

**Appendix 4E Contents and checklist of requirements**

1. Reporting period and corresponding period.	Refer to Page 1 of this Appendix 4E.
2. Results for announcement to the market.	Refer to Page 1 of this Appendix 4E.
3. Statement of comprehensive income.	Refer to Page 3 of this Appendix 4E.
4. Statement of financial position.	Refer to Page 4 of this Appendix 4E.
5. Statement of cash flows.	Refer to Page 5 of this Appendix 4E.
6. Statement of changes in equity.	Refer to Page 6 of this Appendix 4E.
7. Details of dividends or distributions.	Refer to Page 1 of this Appendix 4E.
8. Details of dividend or distribution reinvestment plans in operation and the last date of receipt of an election notice for participation in any dividend or distribution reinvestment plan.	Refer to Page 1 of this Appendix 4E.
9. Net tangible assets per security.	Refer to Page 1 of this Appendix 4E.
10. Details of entities over which control has been gained or lost during the period.	Not applicable.
11. Details of joint venture entities and associated entities.	Not applicable.
12. Any other information needed by an investor to make an informed assessment of the entity's financial performance and financial position.	Refer to Page 1 through 6 of this Appendix 4E.
13. Accounting standards used in compiling reports by foreign entities.	Not applicable.
14. A commentary on the results for the period.	Refer to Page 7 of this Appendix 4E.
15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.	Refer to Page 1 of this Appendix 4E. This report is based on accounts which are in the process of being audited.
16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification a description of the likely dispute or qualification.	At this stage it is likely the audit report will be unqualified.
17. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.	Not applicable.

**MILLINIUM'S ALTERNATIVES FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Interest income		14,726	27,087
Distribution income		742,232	-
Net gains/(losses) on financial instruments held at fair value	7	677,542	469,840
Net gains on foreign currency transactions		-	-
Other investment income		7,444	28,886
		<u>1,441,944</u>	<u>525,813</u>
<b>Total investment profit/(loss)</b>			
<b>Expenses</b>			
Management and application fees	14	(299,985)	(5,176)
Interest expenses		-	-
Remuneration of auditors	6	(38,800)	(38,078)
Other operating expenses	5	(696,364)	(452,105)
		<u>(1,035,149)</u>	<u>(495,359)</u>
<b>Total operating expenses</b>			
<b>Operating profit/(loss)</b>		<u>406,795</u>	<u>30,454</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	9	-	-
(Increase)/decrease in net assets attributable to unitholders	8	(406,795)	(30,454)
		<u>-</u>	<u>-</u>
<b>Profit/(loss) for the year</b>			
Other comprehensive income for the year		-	-
		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>			
		<u>-</u>	<u>-</u>

MILLINIUM'S ALTERNATIVES FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

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STATEMENT OF FINANCIAL POSITION

		As at	
	Note	30 June 2017 \$	30 June 2016 \$
<b>Assets</b>			
Cash and cash equivalents	10	3,026,705	1,425,661
Fixed deposits		-	-
Accrued income	12	-	-
Receivables	12	431,401	20,308
Financial assets held at fair value through profit or loss	11	3,471,571	1,973,684
<b>Total assets</b>		<b>6,929,677</b>	<b>3,419,653</b>
<b>Liabilities</b>			
Distributions payable	9	-	-
Other payables	13	163,623	60,394
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>163,623</b>	<b>60,394</b>
<b>Net assets attributable to unitholders - liability</b>	8	<b>6,766,054</b>	<b>3,359,259</b>

**MILLINIUM'S ALTERNATIVES FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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**STATEMENT OF CHANGES IN EQUITY**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Total equity at the beginning of the year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the year</b>	-	-

In accordance with AASB 132 'Financial Instruments: Presentation', net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the period.

MILLINIUM'S ALTERNATIVES FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CASH FLOWS

		Year ended	
	Notes	30 June 2017 \$	30 June 2016 \$
<b>Cash flows from operating activities</b>			
Purchase of financial instruments held at fair value through profit or loss		(2,398,064)	(1,503,844)
Proceeds on sale of financial instruments held at fair value		1,577,719	-
Net payment for investment activities		-	100,000
Distributions received		661,197	-
Net cash payments from foreign currency transactions		-	-
Interest received		14,726	172,087
Other investment income received		7,444	28,886
GST (paid) / received		753	8,057
Management and application fees paid		(301,656)	(5,176)
Payment of interest expenses		-	-
Payment of other operating expenses		(630,264)	(543,826)
<b>Net cash (outflow)/inflow from operating activities</b>	15(a)	<b>(1,068,145)</b>	<b>(1,743,816)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		2,669,189	1,674,775
Payments for redemptions by unitholders		-	(91,810)
Distributions paid		-	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>2,669,189</b>	<b>1,582,965</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,601,044</b>	<b>(160,851)</b>
Cash and cash equivalents at beginning of the year		1,425,661	1,586,512
<b>Cash and cash equivalents at end of the year</b>	10	<b>3,026,705</b>	<b>1,425,661</b>
Non-current financing activities		-	-

### Principal activities

The Trust invests in accordance with the provisions of the Trust Constitution and the current Product Disclosure Statement.

There has been no significant change in the activities of the Trust during the financial year except as disclosed below.

The Trust did not have any employees during the year.

The Trust is currently listed on the Australian Securities Exchange ("ASX"). The ASX code is MAX.

### Changes in state of affairs

There have been no significant changes to the operations of the Trust since the previous financial year. The Trust continued to invest in accordance with target asset allocations as set out in Trust Deed.

### Review of results and operations

The performance of the Trust, as represented by the results of its operations, was as follows:

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
Operating profit/(loss) before financing costs attributable to unitholders	406,795	30,454
Distribution paid and payable	-	-
Distribution (cents per unit) 31 December	-	-
Final distribution (cents per unit) 30 June	-	-

The full year results are in line with the continuation of the restructure and half year 2016 Interim Financial Report and reflect a contribution from all investment segments.

### Financial position

#### Net tangible assets per unit as disclosed to the ASX

Net Tangible Assets ("NTA") per unit as disclosed to the ASX (excluding distributions, but not accumulated imputation credits) are shown as follows:

	As at 30 June 2017 Cents	As at 30 June 2016 Cents
At 30 June	6.0353	6.3359
High during the year	7.7476	6.4484
Low during the year	5.7224	5.6196

## 1 General information

These financial statements cover the Millinium's Alternatives Fund (the "Trust") as an individual entity. The financial statements are presented in the Australian currency for the year ended 30 June 2017.

The Trust is an Australian registered managed investment scheme under the Corporations Act 2001. The Trust commenced operations on 13 December 2006 and was admitted to the Australian Securities Exchange "ASX" on 19 December 2006 and is domiciled in Australia.

The Responsible Entity of the Trust is Millinium Capital Managers Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 33, 19 Martin Place, Sydney, NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The Trust invests in accordance with the provisions of the Trust Constitution and the current Product Disclosure Statement.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Trust is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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 twelve months, except for investments in financial assets and net assets attributable to unit holders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

#### (i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Trust also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Trust

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2016 that have a material impact on the Trust.

#### (iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Trust. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

- AASB 9 Financial Instruments (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Trust's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Trust does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Trust's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Trust. The Trust has not yet decided when to adopt AASB 9.



## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (iii) *New standards and interpretations not yet adopted (continued)*

- AASB 15 Revenue from Contracts with Customers (effective from 1 January 2018)

AASB 15 will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Trust's main sources of income are interest, dividends and distributions, and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Trust's accounting policies or the amounts recognised in the financial statements. The Trust has not yet decided when to adopt AASB 15.

There are no other standards that are not yet effective and that are expected to have a material impact on the Trust in the current or future reporting periods and on foreseeable future transactions.

### (b) Financial instruments

#### (i) *Classification*

The Trust's investments are classified as at fair value through profit or loss. They comprise of:

- Financial instruments held for trading

Derivative financial instruments such as forward contracts are included under this classification. The Trust does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not classified as held for trading purposes and which may be sold. These are investments in exchange listed equity securities.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Trust's documented investment strategy as outlined in the Product Disclosure Statement. The Trust's policy is for the Investment Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

#### (ii) *Recognition/derecognition*

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or the Trust has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

#### (iii) *Measurement*

- Financial instruments held at fair value through profit or loss

At initial recognition, the Trust measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(iii) Measurement (continued)*

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The Trust uses the current bid price as the quoted market price for financial assets and the current asking price as the quoted market price for financial liabilities.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### *(iv) Loans and receivables*

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

#### *(v) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Trust currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

### **(c) Net assets attributable to unit holders**

Units are redeemable at the unit holders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders. The units are classified as financial liabilities as the Trust is required to distribute its distributable income, in accordance with the Trust's Constitution.

The units can be put back to the Trust at any time for cash based on the redemption price.

### **(d) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Trust's main income generating activity.

## **2 Summary of significant accounting policies (continued)**

### **(e) Investment income**

#### *(i) Interest income*

Interest income earned on cash and cash equivalents is recognised in the statement of comprehensive income on an accrual basis.

#### *(ii) Dividends*

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Trust currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

### **(f) Expenses**

All expenses are recognised in the statement of comprehensive income on an accruals basis.

### **(g) Income tax**

Under current legislation, the Trust is not subject to income tax as unit holders are presently entitled to the income of the Trust. The benefits of imputation credits and foreign tax paid are passed on to unit holders.

### **(h) Distributions**

The Trust distributes its distributable income, in accordance with the Trust's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### **(i) Increase/(decrease) in net assets attributable to unit holders**

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

### **(j) Functional and presentation currency**

Balances included in the Trust's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Trust competes for Trusts and is regulated. The Australian dollar is also the Trust's presentation currency.

### **(k) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by year end. Trades are recorded on trade date, and normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Trust will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

### **(l) Receivables**

Receivables may include amounts for dividends and interest. Dividends are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

## **2 Summary of significant accounting policies (continued)**

### **(m) Payables**

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the end of the reporting period.

As the Trust has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

### **(n) Applications and redemptions**

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

### **(o) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Trust by third parties such as management, administration and custodian services where applicable, have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITC) hence fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **(p) Segment information**

The Trust is organised into one main business segment which operates solely in the business of investment management within Australia. While the Trust operates from Australia only (the geographical segment), the Trust may have asset exposures in different countries and across different industries.

### **(q) Use of estimates**

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Trust's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For more information on how fair value is calculated refer to Note 4 to the financial statements.

### 3 Financial risk management

The Trust's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's Constitution, Product Disclosure Statement (PDS) and the investment guidelines of the Trust. It also seeks to maximise the returns derived for the level of risk to which the Trust is exposed and seeks to minimise potential adverse effects on the Trust's financial performance.

The Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of market risks, and ratings analysis for credit risk.

Financial risk management is carried out under policies approved by the Board of Directors of the Responsible Entity (the "Board"). Compliance with the Trust's Product Disclosure Statement, Constitution and Investment Guidelines are reported to the Board on a regular basis.

#### (a) Market risk

##### (i) Price risk

The Trust is exposed to price risk on equity securities listed or quoted on recognised securities exchanges and price risk on derivative securities. Price risk arises from investments held by the Trust for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk. All securities held present a risk of loss of capital. The maximum price risk resulting from financial instruments is determined by the fair value of the financial instrument.

Price risk is managed through diversification and a careful selection of securities and other financial instruments within investment guidelines specified in the PDS.

The table under 3(b), summarises the sensitivity of the Trust's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Trust invests moved by +/-10% (2016:+/-10%).

##### (ii) Foreign exchange risk

Foreign exchange risk arises when the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

Compliance with the Trust's policy is reported to the Responsible Entity on a quarterly basis.

The Trust did not have any assets or liabilities denominated in a foreign currency in June 2017 and June 2016 and was therefore not subject to foreign exchange risk.

##### (iii) Cash flow and fair value interest rate risk

The Trust is exposed to cash flow interest rate risk on financial instruments with variable interest rates.

The Trust's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and statement of cash flows. The risk is measured using sensitivity analysis. The only financial asset held by the Trust subject to interest rate risk is cash and cash equivalents.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Cash flow and fair value interest rate risk (continued)

The table below summarises the Trust's exposure to interest rate risks. It includes the Trust's assets and liabilities at fair value, categorised by the earlier of contractual repricing or maturity dates.

30 June 2017	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$
<b>Financial assets</b>				
Cash and cash equivalents	3,026,705	-	-	3,026,705
Receivables	-	-	431,401	431,401
Financial assets held at fair value through profit or loss	-	-	3,471,571	3,471,571
<b>Financial liabilities</b>				
Other payables	-	-	(163,623)	(163,623)
<b>Net exposure</b>	<b>3,026,705</b>	<b>-</b>	<b>3,739,349</b>	<b>6,766,054</b>
<b>30 June 2016</b>	<b>Floating interest rate \$</b>	<b>Fixed interest rate \$</b>	<b>Non interest bearing \$</b>	<b>Total \$</b>
<b>Financial assets</b>				
Cash and cash equivalents	1,425,661	-	-	1,425,661
Receivables	-	-	20,308	20,308
Financial assets held at fair value through profit or loss	-	-	1,973,684	1,973,684
<b>Financial liabilities</b>				
Other payables	-	-	(60,394)	(60,394)
<b>Net exposure</b>	<b>1,425,661</b>	<b>-</b>	<b>1,933,598</b>	<b>3,359,259</b>

##### Summarised sensitivity analysis

The table in the succeeding page summarises the sensitivity of the Trust's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates and the historical correlation of the Trust's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Trust invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

### 3 Financial risk management (continued)

#### Summarised sensitivity analysis (continued)

	Impact on operating profit/net assets attributable to unitholders	
	30 June 2017	30 June 2016
	\$	\$
<i>Price risk</i>		
+10% increase	347,157	197,368
-10% decrease	(347,157)	(197,368)
<i>Interest rate risk</i>		
+100 basis points	30,267	14,257
-100 basis points	(30,267)	(14,257)

#### (b) Credit risk

The Trust is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations when they fall due, causing a financial loss to the Trust.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved,
- ensuring that transactions are undertaken with a large number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

The Trust does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Trust is exposed, arises from cash and cash equivalents. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and receivables.

An analysis of exposure by rating is set out in the table below:

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
<b>Cash at bank</b>		
<b>Rating</b>		
AA2	3,026,705	1,425,661
	<b>3,026,705</b>	<b>1,425,661</b>

#### (i) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

### 3 Financial risk management (continued)

#### (c) Credit risk (continued)

##### (ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA- or higher.

In accordance with the Trust's policy, the Investment Manager monitors the Trust's credit position on a daily basis and the Board of Directors reviews it on a quarterly basis.

#### (d) Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Investments in unlisted unit trusts expose the Trust to the risk that the Responsible Entity or manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Trust.

Exposure to liquidity risk for the Trust may arise from the requirement to meet daily unit holder redemption requests or to Trust foreign exchange related cash flow requirements.

In order to manage the Trust's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unit holders. The Trust did not reject or withhold any redemptions during 2017.

##### (i) Maturities of non-derivative financial liabilities

The table below analyses the Trust's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holder's option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them from medium to long term.

	Less than 1 month \$	1-6 months \$	Total \$
<b>At 30 June 2017</b>			
<b>Liabilities</b>			
Other payables	163,623	-	163,623
Net assets attributable to unit holders	6,766,054	-	6,766,054
<b>Contractual cash flows</b>	<b>6,929,677</b>	<b>-</b>	<b>6,929,677</b>
<b>At 30 June 2016</b>			
<b>Liabilities</b>			
Other payables	60,394	-	60,394
Net assets attributable to unit holders	3,359,259	-	3,359,259
<b>Contractual cash flows</b>	<b>3,419,653</b>	<b>-</b>	<b>3,419,653</b>



#### **4 Fair value measurement**

The Trust measures and recognises its financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Trust has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

##### **(a) Fair value in an active market (Level 1)**

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Trust values its investments in accordance with the accounting policies set out in Note 2 of the financial statements. For the majority of its investments, the Trust relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Trust is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

##### **(b) Fair value in an inactive or unquoted market (Level 2 and Level 3)**

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

#### 4 Fair value measurement (continued)

##### (c) Recognised fair value measurements

The table below presents the Trust's financial assets and liabilities measured and recognised at fair value as at 30 June 2017.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>At 30 June 2017</b>				
Financial assets designated at fair value through profit or loss				
Listed equity	48,016	-	-	48,016
Unlisted equity	-	-	3,423,555	3,423,555
Total financial assets	<b>48,016</b>	<b>-</b>	<b>3,423,555</b>	<b>3,471,571</b>

##### At 30 June 2016

Financial assets designated at fair value through profit or loss				
Listed equity	1,973,684	-	-	1,973,684
Total financial assets	<b>1,973,684</b>	<b>-</b>	<b>-</b>	<b>1,973,684</b>

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted unit trusts. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

##### *Transfer between levels*

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy for the years ended 30 June 2017 and 30 June 2016.

##### (d) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

5 Other operating expenses

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Fund accounting and administration fees	85,648	55,679
Custody fees	28,535	21,388
Bank charges	359	439
Recoverable fees and other direct costs	31,038	368,665
Commission expenses	159,271	-
Other expenses	56,733	-
Legal fees	334,780	-
	<b>696,364</b>	<b>452,105</b>

6 Remuneration of auditors

During the year the following fees were paid or payable by the Trust for services provided by the auditor of the Trust. The auditor of the Trust is StewartBrown.

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
<b>StewartBrown</b>		
<b>Audit and assurance services</b>		
Audit and review of financial statements	28,800	20,000
Audit of compliance plan	10,000	10,000
Total remuneration for audit and other assurance services	<b>38,800</b>	<b>30,000</b>
<b>Taxation services</b>		
Tax compliance services	-	-
Total remuneration for taxation services	-	-
<b>Total remuneration of StewartBrown</b>	<b>38,800</b>	<b>30,000</b>
<b>Deloitte Touche Tohmatsu</b>		
<b>Audit and assurance services</b>		
Audit and review of financial statements	-	7,749
Audit of compliance plan	-	-
Total remuneration for audit and other assurance services	-	<b>7,749</b>
<b>Taxation services</b>		
Tax compliance services	9,475	329
Total remuneration for taxation services	<b>9,475</b>	<b>329</b>
<b>Total remuneration of Deloitte Touche Tohmatsu</b>	<b>9,475</b>	<b>8,078</b>
<b>Total remuneration of auditors</b>	<b>48,275</b>	<b>38,078</b>

**7 Net gains/(losses) on financial instruments held at fair value through profit or loss**

	Year ended	
	30 June 2017 \$	30 June 2016 \$
<b>Financial assets</b>		
Net realised losses on financial instruments held at fair value through profit or loss	31,141	-
Net unrealised gains/(losses) on financial instruments held at fair value through profit or loss	646,401	469,840
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>677,542</b>	<b>469,840</b>

**8 Net assets attributable to unitholders**

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	Year ended		Year ended	
	30 June 2017 No.	30 June 2017 \$	30 June 2016 No.	30 June 2016 \$
<b>Net assets attributable to unitholders</b>				
Opening balance	534,932	3,359,259	275,003	1,745,840
Applications	510,204	3,000,000	275,004	1,674,775
Redemptions	-	-	(15,075)	(91,810)
Units issued upon reinvestment of distributions	-	-	-	-
Increase in net assets attributable to unitholders	-	406,795	-	30,454
<b>Closing Balance</b>	<b>1,045,136</b>	<b>6,766,054</b>	<b>534,932</b>	<b>3,359,259</b>

As stipulated within the Trust Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

**Capital risk management**

The Trust considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Trust is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Trust's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unit holders.

**9 Distributions to unitholders**

There were no distributions paid for the years ended 30 June 2017 and 30 June 2016.

**10 Cash and cash equivalents**

	As at 30 June 2017 \$	As at 30 June 2016 \$
Cash at bank	3,026,705	1,425,661
<b>Total</b>	<b>3,026,705</b>	<b>1,425,661</b>

**11 Financial assets**

	As at 30 June 2017 \$	As at 30 June 2016 \$
<b>Designated at fair value through profit or loss</b>		
Listed equity	48,016	1,973,684
Unlisted equity	3,423,555	-
Total designated at fair value through profit or loss	3,471,571	1,973,684
<b>Total financial assets</b>	<b>3,471,571</b>	<b>1,973,684</b>

**12 Receivables**

	As at 30 June 2017 \$	As at 30 June 2016 \$
Distributions receivable	81,035	-
Applications receivable	330,811	-
GST receivable	19,555	20,308
	<b>431,401</b>	<b>20,308</b>

**13 Other payables**

	As at 30 June 2017 \$	As at 30 June 2016 \$
Management fees payable	14,751	1,671
Audit fees payable	20,800	30,000
Withholding tax payable	2,892	2,892
Sundry payables	125,180	25,831
	<b>163,623</b>	<b>60,394</b>

#### 14 Related party transactions

##### Responsible Entity

The Responsible Entity of Millinium's Alternatives Fund is Millinium Capital Managers Limited.

##### Key management personnel compensation

Key management personnel are paid by Millinium Capital Managers Limited. Payments made from the Trust to Millinium Capital Managers Limited do not include any amounts directly attributable to the compensation of key management personnel.

##### Responsible Entity's/Manager's fees and other transactions

Under the terms of the Trust Constitution, the Responsible Entity is entitled to receive fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Trust as follows:

- (i) management fee payable to the Responsible Entity is 0.205% (GST inclusive, net of RITC) per annum. On 23 August 2016 the Responsible Entity notified unitholders in accordance with the constitution that the management fee would increase to 1.25% plus GST from 1 October 2016.
- (ii) application fees payable to the Responsible Entity are calculated at 5% (GST inclusive, net of RITC) of any application money received.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are reimbursed in accordance with the Trust Constitution.

The transactions during the year and the amounts payable at year end between the Trust and the Responsible Entity were as follows:

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Management and application fees for the year paid/payable by the Trust to Millinium Capital Managers Limited	299,985	5,176
Recoverable fees for the year paid/payable by the Trust to Millinium Capital Managers Limited	31,038	368,665
Management fees payable to the Responsible Entity at the end of the reporting period	14,751	1,671

##### Related party unitholdings

There was no interest in the Trust held by other managed investment schemes also managed by the Responsible Entity.

##### Investments

The Trust did not hold investments in any schemes which were managed by the Responsible Entity during the years ended 30 June 2017 and 30 June 2016.

**15 Reconciliation of profit/(loss) to net cash (outflow)/inflow from operating activities**

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
<b>(a) Reconciliation of profit/(loss) to net cash (outflow)/inflow from operating activities</b>		
Net profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	406,795	30,454
Proceeds from sale of financial instruments held at fair value through profit or loss	1,577,719	-
Purchases of financial instruments held at fair value through profit or loss	(2,398,064)	(1,503,844)
Net receipts/(payments) for investment activities	-	100,000
Net (gains)/losses on financial instruments held at fair value through profit or loss	(677,542)	(469,840)
Net change in receivables and other assets	(80,282)	153,057
Net change in payables and other liabilities	103,229	(53,643)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,068,145)</b>	<b>(1,743,816)</b>

**(b) Non-cash financing activities**

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

-

As described in Note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

**16 Events occurring after the reporting date**

No significant events have occurred since the reporting date which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2017 or on the results and cash flows of the Fund for the year ended on that date.

**17 Commitments**

There were no commitments for expenditure at 30 June 2017 (30 June 2016: Nil).

**18 Contingent assets and liabilities**

There were no outstanding contingent assets and liabilities as at 30 June 2017 (30 June 2016: Nil).