

MILLINIUM'S ALTERNATIVES FUND

ARSN 121 722 521

MAX

FINANCIAL REPORT

2017

FOR THE YEAR ENDED 30 JUNE 2017



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# MANAGING DIRECTOR'S LETTER

for the year ended 30 June 2017

I am pleased to report an operating profit of \$406,795 for the year to 30 June 2017, a significant increase from \$30,454 for the previous financial year which followed several years of underperformance by previous management.

Our aim remains to offer investors a stable alternatives investment fund that produces superior capital growth over the medium- to long-term, with reduced volatility. Since late 2014, the fund has been restructured and a two-fold investment strategy has been adopted to take advantage of investment opportunities in today's changing markets.

Our core strategy is to capitalise on opportunities presented by the digital transformation of key sectors. An example is our investment in Ignition Wealth, which is taking advantage of a gap in the market for investment advice. Traditionally, the investment advice industry has focused on the top 15% of the market, creating an opportunity for affordable independent advice for the remaining 85%.

Ignition Wealth is setting the benchmark for digital financial advice in the Australian market. The company has proven IT infrastructure and has partnerships with Link Digital Solutions, part of Link Group, the global funds administration company, and BT Panorama, Westpac Bank's integrated banking and wealth operating system.

Millinium's Alternatives Fund acquired a 6.1% shareholding in Ignition Wealth in September 2016 at \$10.25 per share. Based on the price for a capital raising in May 2017, these shares have been revalued to \$15, valuing the fund's investment at \$3.4 million, an increase of 46% in eight months.

Our second investment strategy is to take advantage of mispriced securities of listed or unlisted businesses, with a plan to turn around their performance and exit in the short term to maximise the fund's gain. An example of this was our investment in Lantern Hotel Group Limited (ASX:LTN), purchased in April 2016 for 9.5 cents per share.

Millinium Capital Managers Limited (the fund's responsibility entity), through a wholly-owned subsidiary, was instrumental in working with other shareholders to restructure Lantern's board and management and refocus the company on increasing shareholder returns. This resulted in capital distributions totalling 15 cents per share, providing a 58% return to the fund.

We are continuing to search for further undervalued or poorly performing companies such as Lantern. In December 2016, we raised \$3 million through a rights issue at \$5.88 per unit and these additional funds will enable us to take advantage of opportunities to pursue our strategy to achieve capital growth and increase unitholders' returns.



Tom Wallace  
Managing Director

# DIRECTORS' REPORT

for the year ended 30 June 2017

The Directors of Millinium Capital Managers Limited (ABN 32 111 283 357), the Responsible Entity of Millinium's Alternatives Fund (the "Trust"), present their annual report together with financial statements of the Trust for the year ended 30 June 2017.

## 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.

## Directors

The names of the Directors of Millinium Capital Managers in office during the financial period and until the date of this report are:

### Name

Mr T. Wallace

Mr P. Bray (non-executive director)

Mr H. Capra (non-executive director)

## 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<br>30 June 2017<br>\$ | Year ended<br>30 June 2016<br>\$ |
|--|----------------------------------|----------------------------------|
| Operating profit/(loss) before financing costs attributable to unitholders | <b>406,795</b>                   | 30,454                           |
| Distribution paid and payable  | -                                | -                                |

## 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<br>30 June 2017<br>Cents | As at<br>30 June 2016<br>Cents |
|----------------------|--------------------------------|--------------------------------|
| At 30 June           | <b>6.0353</b>                  | 6.3359                         |
| High during the year | <b>7.7476</b>                  | 6.4484                         |
| Low during the year  | <b>5.7224</b>                  | 5.6196                         |

# DIRECTORS' REPORT (continued)

for the year ended 30 June 2017

## Information on underlying performance

The performance of the Trust is subject to the performance of the Trust's portfolio. There has been no change to the investment strategy of the Trust during the year, and the Trust continues to invest in accordance with target asset allocations as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

## Distributions

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

## Fees paid and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Trust property during the year are disclosed in Note 14 of the financial statements.

No fees were paid out of Trust property to the directors of the Responsible Entity during the year.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 14 to the financial statements.

## Units on issue

The movement in units on issue in the Trust during the year is disclosed in Note 8 of the financial statements.

The values of the Trust's assets and liabilities are disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

## Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

## Information about the directors

The following persons were directors during the year and were directors of the Responsible Entity at any time during or since the end of the financial year.

### Mr. Wallace

Mr. Wallace is an executive director and investment manager in private equity and property related activities. He was formerly a partner in a Sydney commercial law firm and has over 12 years experience in financial services. He is a solicitor of the Supreme Courts of New South Wales and Queensland and the High Court of Australia with qualifications in law and in real estate and is RG 146 compliant. Mr. Wallace was appointed company secretary on 30 June 2015.

### Mr. Bray (non-executive director)

Mr Bray is a non-executive director educated in the UK and Australia and holds a property qualification and has more than 27 years experience in funds management in sales, compliance and portfolio construction. Paul was the CEO and a Director of a major international fund manager, ABN AMRO Asset Management, and previously was an owner of his own funds management group which specialised in Australian equities. Mr Bray also consults to other groups in the property management arena.

### Mr Capra (non-executive director)

Henry Capra, B.Ec., ACA, has more than 28 years of senior management and finance experience in the financial services industry. He is currently a non-executive director of Suncorp Portfolio Services Limited and is also a director of Aspect Spectrum Australia and chairs its Finance and Audit Committee. He has held senior positions at JP Morgan, Blackrock, AMP Capital, Colonial First State Investments, BNP Paribas Asset Management and Barclays Global Investors after commencing his career with chartered accountants KPMG.

The directors have been in office since the start of the financial year and up to the date of this report.

## Options granted

No options were:

- (i) Granted over unissued units in the Trust during or since the end of the financial year; or
- (ii) Granted to the Responsible Entity.

No unissued units in the Trust were under option as at the date on which this report is made.

No units were issued in the Trust during or since the end of the financial year as a result of the exercise of an option over unissued units in the Trust.

## Interests held by the Responsible Entity and directors

There were no units (2016: Nil) of the Trust held by the Responsible Entity or its associates or by Directors at the date of this report.

## Remuneration report

The Responsible Entity of Millinium's Alternatives Fund is Millinium Capital Managers Limited. Key management personnel are the executive directors of Millinium Capital Managers Limited. The key management remuneration disclosures required under AASB 124 are provided in the financial statements of the Responsible Entity.

# DIRECTORS' REPORT (continued)

for the year ended 30 June 2017

## Proceedings on behalf of the Trust

No person has applied for leave of court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings. The Trust was not a party to any such proceedings during the year.

## Corporate governance statement

The corporate governance statement details the duties that must be performed by the Responsible Entity in accordance with the Constitution of the Trust and those regulated by the Corporations Act. Please refer to the detailed corporate governance statement on page 26.

## Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- (i) the operations of the Trust in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Trust in future financial years.

## Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust's current Product Disclosure Statement and the Trust Constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

## Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards of insurance cover provided to either the officers of Millinium Capital Managers or the auditors of the Trust. So long as the officers of Millinium Capital Managers act in accordance with the Trust Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of the directors.

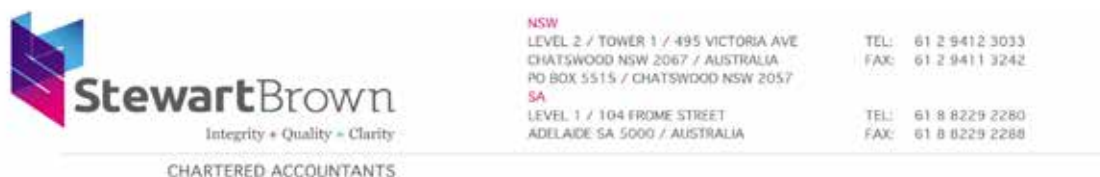


Tom Wallace

Sydney, NSW  
15 September 2017

# AUDITOR'S INDEPENDENCE DECLARATION

for the year ended 30 June 2017



## **DECLARATION OF INDEPENDENCE** **TO THE DIRECTORS OF MILLINIUM CAPITAL MANAGERS LIMITED** **AS RESPONSIBLE ENTITY OF MILLINIUM'S ALTERNATIVES FUND**

In accordance with Section 307C of the *Corporations Act 2001*, as engagement partner of Millinium's Alternatives Fund for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

**StewartBrown**  
Chartered Accountants

**S.J. Hutcheon**  
Partner

Sydney  
15 September 2017

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

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

The above statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.



# STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

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

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

# STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

|  | Year ended         |                    |
|--|--------------------|--------------------|
|  | 30 June 2017<br>\$ | 30 June 2016<br>\$ |
| <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.

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

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

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

The above statement of cash flows is to be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

for the year ended 30 June 2017

### 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.

The financial statements were authorised for issue by the directors on 15 September 2017. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

### 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.

- 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

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 2 Summary of Significant Accounting Policies (continued)

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 2 Summary of Significant Accounting Policies (continued)

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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 2 Summary of Significant Accounting Policies (continued)

#### (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.

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

for the year ended 30 June 2017

### 3 Financial risk management (continued)

#### (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.

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<br>interest rate<br>\$ | Fixed<br>interest rate<br>\$ | Non interest<br>bearing<br>\$ | Total<br>\$      |
|--|---------------------------------|------------------------------|-------------------------------|------------------|
| <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> |

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 3 Financial risk management (continued)

| 30 June 2016   | Floating<br>interest rate<br>\$ | Fixed<br>interest rate<br>\$ | Non interest<br>bearing<br>\$ | Total<br>\$      |
|--|---------------------------------|------------------------------|-------------------------------|------------------|
| <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

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

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 3 Financial risk management (continued)

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                 | <b>3,026,705</b> | 1,425,661    |
|                     | <b>3,026,705</b> | 1,425,661    |

#### (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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 3 Financial risk management (continued)

#### (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.

| At 30 June 2017                         | Less than 1 month<br>\$ | 1-6 months<br>\$ | Total<br>\$      |
|---|-------------------------|------------------|------------------|
| <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> |

At 30 June 2016

|   |                  |          |                  |
|---|------------------|----------|------------------|
| <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

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 4 Fair value measurement (continued)

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.

#### (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.

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

| At 30 June 2016  | Level 1<br>\$    | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$      |
|--|------------------|---------------|---------------|------------------|
| Financial assets designated at fair value through profit or loss |                  |               |               |                  |
| Listed equity  | 1,973,684        | –             | –             | 1,973,684        |
| <b>Total financial assets</b>                                    | <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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 5 Other operating expenses

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 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             | <b>31,141</b>  | -            |
| Net unrealised gains/(losses) on financial instruments held at fair value through profit or loss   | <b>646,401</b> | 469,840      |
| <b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b> | <b>677,542</b> | 469,840      |

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 10 Cash and cash equivalents

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

### 11 Financial assets

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

### 12 Receivables

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

### 13 Other payables

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



# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 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 | <b>299,985</b> | 5,176        |
| Recoverable fees for the year paid/payable by the Trust to Millinium Capital Managers Limited                | <b>31,038</b>  | 368,665      |
| Management fees payable to the Responsible Entity at the end of the reporting period                         | <b>14,751</b>  | 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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2017

### 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  | <b>406,795</b>     | 30,454       |
| Proceeds from sale of financial instruments held at fair value through profit or loss  | <b>1,577,719</b>   | -            |
| Purchases of financial instruments held at fair value through profit or loss   | <b>(2,398,064)</b> | (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  | <b>(677,542)</b>   | (469,840)    |
| Net change in receivables and other assets   | <b>(80,282)</b>    | 153,057      |
| Net change in payables and other liabilities   | <b>103,229</b>     | (53,643)     |
| <b>Net cash (outflow)/inflow from operating activities</b>   | <b>(1,068,145)</b> | (1,743,816)  |
| <b>(b) Non-cash financing activities</b>   |                    |              |
| 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).

# DIRECTORS' DECLARATION

for the year ended 30 June 2017

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 24 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2(a)(i) of the financial statements.

This declaration is made in accordance with a resolution of the directors.



Tom Wallace

Sydney, NSW

15 September 2017

# CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2017

## Corporate Structure

Millinium's Alternatives Fund (the "Trust") is a registered Managed investment scheme under the *Corporations Act 2001*, and Millinium Capital Managers Limited ("Millinium") is the Responsible Entity of the Trust.

A Responsible Entity (the "RE") of a scheme must perform the duties detailed in the Constitution of the Trust and those regulated by the *Corporations Act*. The duties of the RE include, amongst other things:

- Acting honestly
- Exercising a duty of care and diligence
- Act in the best interest of unitholders
- Treat unitholders equally where they hold the same class
- Treat unitholders fairly where they hold different classes
- Make sure the Trust property is valued at regular intervals
- Ensure that all payments from the Trust are in accordance with the Constitution
- Report any breaches that may have a material adverse impact on the interests of unitholders
- Make sure that information acquired through being the RE is not used to gain advantage for the RE or used to harm the interests of unitholders.

## The Board

The Board of Millinium Capital Managers Limited is responsible for ensuring that relevant corporate governance standards are applied. The names of the directors are set out in the Directors' Report. Two of the three directors are independent as they do not have an equity interest, either directly or indirectly, in the shares of Millinium. These directors each have a number of years experience in the funds management industry, the duties of the RE and in the Trust.

The RE has an established code of conduct which covers Directors and staff, and is available at Millinium's website at [www.millinium.com.au](http://www.millinium.com.au). This code of conduct, together with the Compliance Committee Charter, also covers Millinium's compliance with legal obligations and the interest of other stakeholders.

In addition, the RE operates the Trust as a scheme under the Corporations Act and therefore the RE must comply with the Compliance Plan lodged with ASIC prior to units in the Trust being issued. The Corporate Governance of the Trust is regulated by the Compliance Committee, which must have a majority of independent members. The Board of Millinium operate under a Compliance Committee charter, and is responsible for monitoring the RE's compliance with the Compliance Plan and reporting any breaches to the Board of the RE and ASIC. It is also responsible for reviewing the operations of the RE.

## Financial Reporting

The auditor of the Compliance Plan must be different from the auditor of the RE and the Trust and both report independently to the Compliance Committee. The Managing Director provides written sign off to the board and the compliance committee on the veracity of the financial reporting systems and the risk management procedures outlined below.

The RE Board reviews the results of the external audit process of the Trust and the Compliance Plan to ensure:

- That the Compliance Plan and Trust auditor are appropriately qualified, and legally eligible to act at all times
- That the terms of their appointment are appropriate and accord with the Corporations Act
- That the auditors have access to all relevant information as required
- That the auditors conduct all enquiries and provide all reports as required by the Corporations Act

The external auditors are invited to attend board and compliance meetings where financial reports and compliance plan audits are discussed.

# CORPORATE GOVERNANCE STATEMENT

## (continued) for the year ended 30 June 2017

### **Public Disclosure**

The Board believes that market sensitive information should be released as quickly as possible and has policies in place to ensure that the Trust meets its disclosure obligations under the ASX Listing Rules.

### **Rights of Unitholders**

The Constitution of the Trust and the Corporations Act governs the rights of unitholders, including their rights to the income and assets of the Trust. The RE is not required to hold an annual general meeting of unitholders, however a meeting may be called by unitholders with at least 5% of the votes that may be cast on a resolution or by 100 unitholders who are entitled to vote.

### **Risk Management and Oversight**

The RE manages risks in the Trust through the following methods:

- Appointment of an appropriately qualified asset managers, reviewed quarterly
- Appointment of appropriately qualified service providers, such as registry, administration and custody
- Compliance with all of ASIC'S and ASX's policies and guidelines
- Recording and reporting complaints by unitholders

The board of the RE reviews the management contracts of external managers and investment advisers, which are publicly available contracts. Key terms are disclosed in the current Product Disclosure Statement which is available at [www.millinium.com.au](http://www.millinium.com.au), as well as summarised in this Annual Report.

### **Corporate Governance Practices of Millinium and the Trust**

The Trust and Millinium have complied with all the Corporate Governance Principles as at 30 June 2017 and 30 June 2016.

# INDEPENDENT AUDIT REPORT

for the year ended 30 June 2017



NSW  
LEVEL 2 / TOWER 1 / 495 VICTORIA AVE  
CHATSWOOD NSW 2067 / AUSTRALIA  
PO BOX 5515 / CHATSWOOD NSW 2057  
SA  
LEVEL 1 / 104 FROME STREET  
ADELAIDE SA 5000 / AUSTRALIA

TEL: 61 2 9412 3033  
FAX: 61 2 9411 3242

TEL: 61 8 8229 2280  
FAX: 61 8 8229 2288

## **MILLINIUM'S ALTERNATIVES FUND**

**ARSN 121 722 521**

## **FINANCIAL REPORT – 30 JUNE 2017**

### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MILLINIUM'S ALTERNATIVES FUND**

#### ***Opinion***

We have audited the financial report of Millinium's Alternatives Fund ("Trust") which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

In our opinion, the financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with the 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 Trust and the Responsible Entity of the Trust in accordance with the 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* (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 Responsible Entity of the Trust, 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.

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

#### ***Key Audit Matters***

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### ***(i) Valuation of Unlisted Equity Financial Assets***

As at 30 June 2017, financial assets designated at fair value through profit or loss were recorded at a fair value of \$3,471,571 (2016: \$1,973,684), as disclosed in note 11 of the Trust's financial statements. Of the total fair value as at 30 June 2017, \$3,423,555 (2016: \$Nil) relates to unlisted equity financial assets that are classified as "Level 3" financial assets. Total "Level 3" financial assets fair value is attributable to the Trust's investment in a single unlisted equity entity.

ABN: 63 271 338 023 EMAIL: [INFO@STEWARTBROWN.COM.AU](mailto:INFO@STEWARTBROWN.COM.AU) WEB: [WWW.STEWARTBROWN.COM.AU](http://WWW.STEWARTBROWN.COM.AU)

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# INDEPENDENT AUDIT REPORT

for the year ended 30 June 2017

## **MILLINIUM'S ALTERNATIVES FUND**

**ARSN 121 722 521**

## **FINANCIAL REPORT – 30 JUNE 2017**

### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MILLINIUM'S ALTERNATIVES FUND**

These "Level 3" unlisted equity financial assets are subject to periodic and at least annual valuation by the Directors of the Responsible Entity of the Trust. Based on this valuation, the calculated fair value of the unlisted equity financial assets was assessed to be \$3,423,555 with a net unrealised gain of \$1,082,370. Note 7 of the financial statements discloses a net unrealised gain on financial instruments held at fair value through profit or loss of \$646,401 to which "Level 1" financial assets contributed an unrealised loss of \$435,969.

The Directors of the Responsible Entity of the Trust's fair value calculations were based on a valuation model that required the input of forecasted cash flows for the next four years and the application of key assumptions. The fair value calculations also considered share prices paid by other shareholders in the unlisted equity entity during the year ended 30 June 2017.

#### *How the key audit matter (i) was addressed in the audit*

As part of our audit procedures, we critically assessed the Directors of the Responsible Entity of the Trust's methodology applied in the valuation model and evaluated the key assumptions used in the calculations. We have also recalculated amounts recorded in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017 as unrealised gains in relation to the movement in fair value of the unlisted equity financial assets.

We also sought and received confirmation from the management of the unlisted equity entity in which the Trust has invested of the prices paid by other shareholders for the shares of the unlisted equity entity prior to, effective on and subsequent to 30 June 2017.

#### ***Responsibilities of the Directors of the Responsible Entity of the Trust for the Financial Report***

The Directors of the Responsible Entity of the Trust 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 of the Responsible Entity of the Trust 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 of the Responsible Entity of the Trust are responsible for assessing the ability of the Trust 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 of the Responsible Entity of the Trust either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Directors of the Responsible Entity of the Trust are responsible for overseeing the Trust's financial reporting process.

#### ***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.

A further description of our responsibilities for the audit of the financial report is located at *The Auditing and Assurance Standards Board* and the website address is <http://www.auasb.gov.au/Home.aspx>

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# INDEPENDENT AUDIT REPORT

for the year ended 30 June 2017

**MILLINIUM'S ALTERNATIVES FUND**

**ARSN 121 722 521**

**FINANCIAL REPORT – 30 JUNE 2017**

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF**  
**MILLINIUM'S ALTERNATIVES FUND**

We communicate with the Directors of the Responsible Entity of the Trust 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.



**Stewart Brown**  
Chartered Accountants



**S.J. Hutcheon**  
Partner  
15 September 2017

ABN: 63 271 338 023 EMAIL: [INFO@STEWARTBROWN.COM.AU](mailto:INFO@STEWARTBROWN.COM.AU) WEB: [WWW.STEWARTBROWN.COM.AU](http://WWW.STEWARTBROWN.COM.AU)

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# UNITHOLDER INFORMATION

for the year ended 30 June 2017

The information is summarised from registry information received by the Responsible Entity.

## Top 20 Unitholders

The names of the largest twenty unitholders in the Trust as at 30 June 2017 are listed below.

|   | Number held    | %             |
|---|----------------|---------------|
| JB Hastings No1 Ltd                                     | 108,750        | 10.41%        |
| Barry Chamberlain & G M Chamberlain <Chamberlain A/c>   | 93,762         | 8.97%         |
| Meehan Business Trust                                   | 83,766         | 8.02%         |
| Custodial Services Limited <Beneficiaries Holding A/c>  | 47,600         | 4.55%         |
| The Mahuga Trustee Co Ltd <Michael Salvesen Family A/c> | 46,787         | 4.48%         |
| Mrs Pamela Margaret McFadden                            | 43,394         | 4.15%         |
| Tarus Trustee Services                                  | 41,795         | 4.00%         |
| HSBC Custody Nominees (Australia) Limited               | 39,237         | 3.75%         |
| Ms Leanne Judy McFadden                                 | 38,054         | 3.64%         |
| Ms Pamela Margaret McFadden                             | 37,500         | 3.59%         |
| Winston Copeland <Hedgehope A/c>                        | 34,888         | 3.34%         |
| Kevin Maurice   | 33,061         | 3.16%         |
| Jakajamina Pty Ltd <JC Lea Family A/c>                  | 30,982         | 2.96%         |
| Balmoral Super Pty Ltd <Balmoral Superfund A/c>         | 30,000         | 2.87%         |
| Ray Day & Erin Day <The Oxford A/c>                     | 25,506         | 2.44%         |
| Chelsea Properties Limited                              | 24,380         | 2.33%         |
| Pomanda Investments Ltd                                 | 22,500         | 2.15%         |
| David Alan Tait   | 21,229         | 2.03%         |
| Brian Norman Queree < The Brian Queree A/c>             | 19,000         | 1.82%         |
| PACT 2086 Trust   | 13,140         | 1.26%         |
|   | <b>835,331</b> | <b>79.92%</b> |

# CORPORATE DIRECTORY

for the year ended 30 June 2017

## Responsible Entity

Millinium Capital Managers Limited  
ABN 32 111 283 357  
AFSL 284 336

## Directors of Responsible Entity

Tom Wallace  
Tom Paul Bray (non-executive director)  
Perry Hume (non-executive director)

## Company Secretary

Tom Wallace

## Principal Registered Office in Australia

Current address:  
Level 33, 19 Martin Place  
Sydney NSW 2000

## Share Register

Boardroom Pty Limited  
Current address:  
Level 12, Grosvenor Place  
225 George Street  
Sydney NSW 2000

## Fund Administrator

MainstreamBPO  
51/57 Pitt Street  
Sydney NSW 2000

## Custodian

Australian Executor Trustees Limited  
Level 22, 207 Kent Street  
Sydney NSW 2001

## Independent Auditor

StewartBrown  
Level 2, Tower 1  
495 Victoria Avenue  
Chatswood NSW 2067

## Solicitors

HWL Ebsworth  
Level 14, Australia Square  
264-278 George Street  
Sydney NSW 2000

## Stock Exchange Listings

Millinium's Alternatives Fund units are listed on the  
Australian Securities Exchange ("ASX")  
ASX Code: MAX

## Website address

[www.milliniumalternatives.com.au](http://www.milliniumalternatives.com.au)

