

MILLINIUM'S ALTERNATIVES FUND

ARSN 121 722 521

MAX

FINANCIAL REPORT

2019

FOR THE YEAR ENDED 30 JUNE 2019

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# MANAGING DIRECTOR'S LETTER

for the year ended 30 June 2019

2019 was a year of significant challenges for Millinium's Alternatives Fund (Fund).

## Overview

The team at Millinium strive to offer investors an alternatives investment fund that produces capital growth over the medium-to-long-term. Over the past four years, the Fund has been restructured and investment strategies have been adopted to take advantage of investment opportunities in today's changing markets.

The Fund delivered mixed financial performance, as it incurred various costs in relation to several large investment opportunities and faced a purported meeting to replace Millinium as responsible entity of the Fund. The meeting was invalid and unsuccessful, wasted unitholders' and Millinium's time and resources, and cost the Fund money which should have been spent on its growth.

The call to convene the meeting was orchestrated by a former New Zealand-based investment manager to the Fund, Greg Marshall, in order to prevent Millinium from recovering approximately \$2.5 million in losses Mr Marshall and his associate caused the Fund to incur. The Fund subsequently entered a secured loan with an associated entity, Gibraltar Capital Pty Ltd, to support its operations due to the uncertainty created by his action.

## Review of Activities

Since late 2014, we have pursued a two-fold investment strategy that aims to take advantage of new market opportunities. One of these strategies is to capitalise on digital transformation, and this is represented by our position in Ignition Wealth, Australia's leading robo advisor.

As Ignition Wealth moves through its growth stage, capital is raised as required and, in accordance with various accounting standards, the Fund revalues its investment to match these capital raises. The Fund's original investment was at \$10 per share and in 2018 shares were issued at \$15 per share, resulting in a large unrealised gain for the Fund. In 2019, shares were issued at \$10 per share, resulting in a similar unrealised loss of \$1,095,538. We remain optimistic that the growth potential of Ignition Wealth will deliver returns to unitholders as it develops further.

Our second investment strategy is to take advantage of mispriced securities of listed or unlisted businesses and assets. During the year, we pursued several investment opportunities in line with this strategy.

The first of these was the proposed purchase of the IXL/Taylor's businesses from SPC by Kyabram Preserving Company Pty Ltd which Mr Marshall and his associate had caused to be established for the purpose. Throughout the due diligence and investigation process, the Fund incurred transaction costs totalling \$793,000 which were to be refunded. The vendors and Millinium had received a binding equity commitment from Mr Marshall to fund the purchase but, after the final agreements were signed, he advised that the funding was not available and, as we subsequently discovered, never had been available.

The Fund has commenced legal proceedings in the Supreme Court of New South Wales against Mr Marshall, Mr Paul Chamberlain and two of their associates to recover the funds that it incurred in good faith, based on the equity commitment that it had received. In addition, based on advice received from Mr Marshall, the Fund created liquidity for this transaction by selling shares in Canadian listed stock, Cannex Capital Holdings Inc, which caused material losses to the Fund and cost the Fund upside from the subsequent rise in the share price. Under Australian accounting standards, however, these purchase costs have been written off as collection is uncertain.

## MANAGING DIRECTOR'S LETTER (continued)

for the year ended 30 June 2019

During the past two years, the Fund has also incurred costs associated with the acquisition of a vertically integrated fruit orchard and storage business in the food bowl of Victoria, for which Mr Marshall advised he had funding that, too, did not eventuate. These costs, totalling \$1,676,500, have also been booked as a loss, as the transaction had not progressed as at 30 June 2019. The Fund is still working through several funding issues and is optimistic that the project will continue to finalisation and the costs will be recovered.

These costs are represented in the financial statement under a bad debt provision of \$436,511, failed transaction costs of \$356,554 and various legal fees totalling \$233,795 which are captured under other operating expenses.

On a very positive note, the Fund has entered into an implementation deed to develop the iconic Waltons Building in Brisbane's Fortitude Valley. Fortitude Valley has seen significant growth and development over recent years, and this site offers significant opportunities.

On 2 August 2019, it was announced that the Fund had secured acceptable funding for the development and a major international university as a tenant, subject to conditions. When fully developed and tenanted, the gross value of the development is expected to be approximately \$180 million. Millinium sees property assets as a hedge against volatile markets and this investment provides the opportunity to participate in the growth of the higher education sector.

Millinium has also sourced and is continuing to negotiate several further investment opportunities.

Unitholders will be aware of the continuing global uncertainty in equity markets exacerbated by the trade war between China and the United States; this has created more demand for alternative assets making them scarce. The Waltons project is an example of an asset that will provide investors with a far better return than the interest rates currently on offer by Australian banks, with the upside of potentially attractive long-term capital growth.

We will continue to look for opportunities that we believe will increase unitholders' returns during the years ahead. I can assure you that the team at Millinium are working hard to create value for all investors in the Fund.



Tom Wallace  
Managing Director

# DIRECTORS' REPORT

for the year ended 30 June 2019

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 2019.

## 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 Limited in office during the financial period and until the date of this report are:

### Name

Mr T. Wallace (director)

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 2019<br>\$ | Year ended<br>30 June 2018<br>\$ |
|--|----------------------------------|----------------------------------|
| Operating (loss)/profit before financing costs attributable to unitholders | <b>(5,318,789)</b>               | 792,793                          |
| 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 2019<br>Cents | As at<br>30 June 2018<br>Cents |
|----------------------|--------------------------------|--------------------------------|
| At 30 June           | <b>2.6463</b>                  | 7.0807                         |
| High during the year | <b>9.1227</b>                  | 12.0786                        |
| Low during the year  | <b>2.6463</b>                  | 5.8748                         |

# DIRECTORS' REPORT (continued)

for the year ended 30 June 2019

## 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. In accordance with the investment strategy the Trust has undertaken several investments during the financial year, and has incurred various costs in relation to these investments. In accordance with the fair value accounting standards, these investments have been written down to nil, which has contributed to the overall performance of the Trust.

## Distributions

There were no distributions paid for the years ended 30 June 2019 and 30 June 2018.

## 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 15 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 14 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 29 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 30 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 Aspect Spectrum Australia Limited. He is also Chairman of CBHS Corporate Health Pty Limited and is a member of the Audit Committee for Multicultural NSW. He has previously 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.

# DIRECTORS' REPORT (continued)

for the year ended 30 June 2019

## Interests held by the Responsible Entity and directors

There were no units (2018: 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.

## 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 27.

## Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2019 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 Limited or the auditors of the Trust. So long as the officers of Millinium Capital Managers Limited 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.

## Rounding of amounts

The Trust is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

## 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 6.

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



Tom Wallace

Sydney, NSW  
19 September 2019

# AUDITOR'S INDEPENDENCE DECLARATION

for the year ended 30 June 2019



## RSM Australia Partners

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Millinium's Alternatives Fund for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM AUSTRALIA PARTNERS**

**David Talbot**  
Partner

Sydney, NSW  
Dated: 19 September 2019

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# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

|   | Note | Year ended         |                    |
|---|------|--------------------|--------------------|
|   |      | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>Investment income</b>  |      |                    |                    |
| Interest income   |      | <b>9,688</b>       | 19,417             |
| Distribution income   |      | <b>6,229</b>       | 17,797             |
| Net gains/(loss) on financial instruments held at fair value through profit or loss | 7    | <b>(3,668,186)</b> | 1,345,499          |
| Other investment income   |      | -                  | 156,783            |
| <b>Total net investment income</b>  |      | <b>(3,652,269)</b> | 1,539,496          |
| <b>Expenses</b>   |      |                    |                    |
| Management and application fees   | 14   | <b>(98,863)</b>    | (155,024)          |
| Remuneration of auditors  | 6    | <b>(49,951)</b>    | (49,344)           |
| Aborted transaction expense   |      | <b>(356,554)</b>   | -                  |
| Provision for doubtful debts  |      | <b>(436,511)</b>   | -                  |
| Other operating expenses  | 5    | <b>(724,641)</b>   | (542,389)          |
| <b>Total operating expenses</b>   |      | <b>(1,666,520)</b> | (746,757)          |
| <b>Operating profit/(loss)</b>  |      | <b>(5,318,789)</b> | 792,739            |
| <b>Profit/(loss) for the year</b>   |      | <b>(5,318,789)</b> | 792,739            |
| Other comprehensive income for the year   |      | -                  | -                  |
| <b>Total comprehensive income for the year</b>                                      |      | <b>(5,318,789)</b> | 792,739            |

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 2019

|  |      | As at              |                    |
|--|------|--------------------|--------------------|
|  | Note | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>Assets</b>  |      |                    |                    |
| Cash and cash equivalents                                  | 10   | <b>115,718</b>     | 114,161            |
| Receivables and other current assets                       | 12   | <b>1,185,698</b>   | 56,086             |
| Financial assets held at fair value through profit or loss | 11   | <b>2,393,325</b>   | 8,516,255          |
| <b>Total assets</b>  |      | <b>3,694,741</b>   | 8,686,502          |
| <b>Liabilities</b>   |      |                    |                    |
| Other payables   | 13   | <b>520,671</b>     | 193,643            |
| <b>Total liabilities</b>                                   |      | <b>520,671</b>     | 193,643            |
| <b>Net assets</b>  |      | <b>3,174,070</b>   | 8,492,859          |
| <b>Equity</b>  |      | <b>3,174,070</b>   | 8,492,859          |

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 2019

|  | Note | Year ended         |                    |
|--|------|--------------------|--------------------|
|  |      | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>Total equity at the beginning of the year</b> |      | <b>8,492,859</b>   | 6,766,054          |
| Profit/(loss) for the year                       |      | <b>(5,318,789)</b> | 792,739            |
| Other comprehensive income                       |      | -                  | -                  |
| <b>Total comprehensive income</b>                |      | <b>3,174,070</b>   | 7,558,793          |
| <b>Transactions with unitholders</b>             |      | -                  | -                  |
| Distributions paid                               |      | -                  | -                  |
| Redemptions paid                                 |      | -                  | (23,329)           |
| Applications                                     |      | -                  | 957,395            |
| <b>Total equity at the end of the year</b>       |      | <b>3,174,070</b>   | 8,492,859          |

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 2019

|   | Notes | Year ended         |                    |
|---|-------|--------------------|--------------------|
|   |       | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>Cash flows from operating activities</b>   |       |                    |                    |
| Purchase of financial instruments held at fair value through profit or loss         |       | <b>(219,443)</b>   | (5,451,544)        |
| Proceeds on sale of financial instruments held at fair value through profit or loss |       | <b>3,120,166</b>   | 1,752,359          |
| Distributions received  |       | <b>6,229</b>       | 98,832             |
| Interest received   |       | <b>9,688</b>       | 19,417             |
| Other investment income received  |       | -                  | 156,783            |
| GST (paid)/received   |       | <b>20,388</b>      | (36,531)           |
| Management and application fees paid  |       | <b>(98,863)</b>    | (155,024)          |
| Payment of other operating expenses   |       | <b>(1,925,937)</b> | (561,713)          |
| <b>Net cash inflow/(outflow) from operating activities</b>                          | 16(a) | <b>912,228</b>     | (4,177,421)        |
| <b>Cash flows from financing activities</b>   |       |                    |                    |
| Proceeds from applications by unitholders   |       | -                  | 1,288,206          |
| Payments for redemptions by unitholders   |       | -                  | (23,329)           |
| Proceeds from loans advanced  |       | <b>239,329</b>     | -                  |
| Distributions paid  |       | -                  | -                  |
| <b>Net cash inflow from financing activities</b>                                    |       | <b>239,329</b>     | 1,264,877          |
| <b>Cash flows from investing activities</b>   |       |                    |                    |
| Payment of costs relating to proposed investment                                    |       | <b>(1,150,000)</b> | -                  |
| <b>Net cash outflow from investing activities</b>                                   |       | <b>(1,150,000)</b> | -                  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                         |       | <b>1,557</b>       | (2,912,544)        |
| Cash and cash equivalents at beginning of the year                                  |       | <b>114,161</b>     | 3,026,705          |
| <b>Cash and cash equivalents at end of the year</b>                                 | 11    | <b>115,718</b>     | 114,161            |
| 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 2019

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# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

for the year ended 30 June 2019

### 1 General information

These financial statements cover 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 2019.

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 10 September 2019. 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

New accounting standards and interpretations and 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 associated Amending Standards (applicable to annual reporting periods beginning on or after 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. This standard was applied from 1 January 2018. There has been no 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 introduced a new impairment model. However, as the Trust's investments are held at fair value through profit or loss, the change in impairment rules did not impact the Trust.

- AASB 15 *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018)

AASB 15 replaced 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 and as such the adoption of AASB 15 has not had a significant impact on the Trust's accounting policies or the amounts recognised in the financial statements.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

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

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

There are no new standards, interpretations or amendments to existing standards not yet adopted that are effective for the first time for the financial year beginning 1 July 2018.

#### (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 and unlisted 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

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

#### (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) Equity

The Trust's Constitution provides that a unitholder may request that the responsible entity redeem the unitholder's units, but as required under the Trust's ASX listing conditions, there is no obligation on the Responsible Entity to do so.

#### (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.

#### (l) 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



# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

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

of each reporting period where this amount remains unpaid as at the end of the reporting period.

#### (m) 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.

#### (n) 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.

#### (o) 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.

#### (p) 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 unlisted equity investments, 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.

#### (q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

#### (r) Significant Judgement

Millinium Capital Managers Limited, as responsible entity of Millinium's Alternatives Fund (the "Trust"), has entered into an implementation deed in respect of a proposed and conditional investment in a mixed use property development project for 240 Brunswick Street and 11 Overells Lane, Fortitude Valley, Brisbane. The Trust's participation in the proposed transaction is subject to a number of conditions which are yet to be finalised at year end. Management has exercised their judgement in determining the proposed transaction is highly likely to be completed in the coming months. Therefore the deposits paid in respect of acquisition are expected to be utilised to obtain the property, and will form part of the acquisition price.

### 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 2019

### 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% (2018: +/-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 2019 and June 2018 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 2019   | 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                                  | 115,718                         | -                            | -                             | 115,718          |
| Financial assets held at fair value through profit or loss | -                               | -                            | 2,393,325                     | 2,393,325        |
| <b>Financial liabilities</b>                               |                                 |                              |                               |                  |
| Other payables   | -                               | -                            | (520,671)                     | (520,671)        |
| <b>Net exposure</b>  | <b>115,718</b>                  | <b>-</b>                     | <b>1,872,654</b>              | <b>1,988,372</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

### 3 Financial risk management (continued)

| 30 June 2018   | 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                                  | 114,161                         | –                            | –                             | 114,161          |
| Financial assets held at fair value through profit or loss | –                               | –                            | 8,516,255                     | 8,516,255        |
| <b>Financial liabilities</b>                               |                                 |                              |                               |                  |
| Other payables   | –                               | –                            | (193,643)                     | (193,643)        |
| <b>Net exposure</b>  | <b>114,161</b>                  | <b>–</b>                     | <b>8,322,612</b>              | <b>8,436,773</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 2019<br>\$   | 30 June 2018<br>\$ |
| <b>Price risk</b>         |  |                    |
| +10% increase             | <b>239,333</b>   | 851,626            |
| -10% decrease             | <b>(239,333)</b>   | (851,626)          |
| <b>Interest rate risk</b> |  |                    |
| +100 basis points         | <b>1,157</b>   | 1,142              |
| -100 basis points         | <b>(1,157)</b>   | (1,142)            |

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

### 3 Financial risk management (continued)

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

|                     | Year ended         |                    |
|---------------------|--------------------|--------------------|
|                     | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>Cash at bank</b> |                    |                    |
| <b>Rating</b>       |                    |                    |
| AA3                 | <b>115,718</b>     | 114,161            |
|                     | <b>115,718</b>     | 114,161            |

#### (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 2019.

#### (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 2019                         | Less than 1 month<br>\$ | 1-6 months<br>\$ | Total<br>\$      |
|---|-------------------------|------------------|------------------|
| <b>Liabilities</b>                      |                         |                  |                  |
| Other payables                          | 520,671                 | -                | 520,671          |
| Net assets attributable to unit holders | 3,174,070               | -                | 3,174,070        |
| <b>Contractual cash flows</b>           | <b>3,694,741</b>        | <b>-</b>         | <b>3,694,741</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

for the year ended 30 June 2019

| At 30 June 2018                         | Less than 1 month<br>\$ | 1-6 months<br>\$ | Total<br>\$      |
|---|-------------------------|------------------|------------------|
| <b>Liabilities</b>                      |                         |                  |                  |
| Other payables                          | 193,643                 | -                | 193,643          |
| Net assets attributable to unit holders | 8,492,859               | -                | 8,492,859        |
| <b>Contractual cash flows</b>           | <b>8,686,502</b>        | <b>-</b>         | <b>8,686,502</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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

### 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 2019.

| At 30 June 2019  | Level 1<br>\$    | Level 2<br>\$    | Level 3<br>\$ | Total<br>\$      |
|--|------------------|------------------|---------------|------------------|
| Financial assets designated at fair value through profit or loss |                  |                  |               |                  |
| Listed equity  | 65,309           | -                | -             | 65,309           |
| Unlisted equity  | -                | 2,328,017        | -             | 2,328,017        |
| <b>Total financial assets</b>                                    | <b>65,309</b>    | <b>2,328,017</b> | <b>-</b>      | <b>2,393,326</b> |
| At 30 June 2018  | Level 1<br>\$    | Level 2<br>\$    | Level 3<br>\$ | Total<br>\$      |
| Financial assets designated at fair value through profit or loss |                  |                  |               |                  |
| Listed equity  | 3,592,700        | -                | -             | 3,592,700        |
| Unlisted equity  | -                | 4,923,555        | -             | 4,923,555        |
| <b>Total financial assets</b>                                    | <b>3,592,700</b> | <b>4,923,555</b> | <b>-</b>      | <b>8,516,255</b> |

The shares in an unlisted equity investment at level 2 were revalued on 30 June 2019 and 2018 based on internal assessments performed by management, with reference to independent private placement investments made in the vehicle.

#### (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 2019<br>\$ | 30 June 2018<br>\$ |
| Fund accounting and administration fees | <b>84,907</b>      | 123,389            |
| Custody fees                            | <b>22,191</b>      | 16,597             |
| Bank charges                            | <b>101</b>         | 598                |
| Recoverable fees and other direct costs | <b>88,550</b>      | 40,843             |
| Commission expenses                     | <b>-</b>           | 141,215            |
| Insurance premiums                      | <b>9,110</b>       | -                  |
| Other expense                           | <b>285,987</b>     | 190,452            |
| Legal fees                              | <b>233,795</b>     | 29,295             |
|   | <b>724,641</b>     | 542,389            |

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

### 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 RSM Australia Partners.

|  | Year ended         |                    |
|--|--------------------|--------------------|
|  | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>RSM Australia Partners</b>                                    |                    |                    |
| <b>Audit and assurance services</b>                              |                    |                    |
| Audit and review of financial statements                         | 49,951             | 25,000             |
| Other services   | 46,754             | -                  |
| Total remuneration for audit and other assurance services        | 96,705             | 25,000             |
| <b>Total remuneration of RSM Australia Partners</b>              | <b>96,705</b>      | <b>25,000</b>      |
| <b>StewartBrown</b>  |                    |                    |
| <b>Audit and assurance services</b>                              |                    |                    |
| Audit and review of financial statements                         | -                  | 13,476             |
| Audit of compliance plan   | -                  | 10,868             |
| <b>Total remuneration for audit and other assurance services</b> | <b>-</b>           | <b>24,344</b>      |
| <b>Total remuneration of auditors</b>                            | <b>96,705</b>      | <b>49,344</b>      |

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

|  | Year ended         |                    |
|--|--------------------|--------------------|
|  | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>Financial assets</b>  |                    |                    |
| Net realised (loss)/gain on financial instruments held at fair value through profit or loss        | (114,362)          | 1,021,200          |
| Net unrealised (loss)/gain on financial instruments held at fair value through profit or loss      | (3,553,824)        | 324,299            |
| <b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b> | <b>(3,668,186)</b> | <b>1,345,499</b>   |

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

### 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 2019<br>No. | 30 June 2019<br>\$ | 30 June 2018<br>No. | 30 June 2018<br>\$ |
| <b>Net assets attributable to unitholders</b>                 |                     |                    |                     |                    |
| Opening balance   | <b>1,199,446</b>    | <b>8,492,859</b>   | 1,045,136           | 6,766,054          |
| Applications  |                     | -                  | 156,670             | 957,395            |
| Redemptions   |                     | -                  | (2,360)             | (23,329)           |
| (Decrease)/Increase in net assets attributable to unitholders | -                   | <b>(5,318,789)</b> | -                   | 792,739            |
| <b>Closing balance</b>  | <b>1,199,446</b>    | <b>3,174,070</b>   | 1,199,446           | 8,492,859          |

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's Constitution provides that a unitholder may request that the responsible entity redeem the unitholders units, but as required under the Trust's ASX listing conditions, there is no obligation on the Responsible Entity to do so.

### 9 Distributions to unitholders

There were no distributions paid for the years ended 30 June 2019 and 30 June 2018.

### 10 Cash and cash equivalents

|              | As at              |                    |
|--------------|--------------------|--------------------|
|              | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| Cash at bank | <b>115,718</b>     | 114,161            |
| <b>Total</b> | <b>115,718</b>     | 114,161            |

### 11 Financial assets held at fair value through profit or loss

|  | As at              |                    |
|--|--------------------|--------------------|
|  | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>Designated at fair value through profit or loss</b>       |                    |                    |
| Listed equity  | <b>65,309</b>      | 3,592,700          |
| Unlisted equity  | <b>2,328,017</b>   | 4,923,555          |
| <b>Total designated at fair value through profit or loss</b> | <b>2,393,326</b>   | 8,516,255          |
| <b>Total financial assets</b>                                | <b>2,393,326</b>   | 8,516,255          |



# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

### 12 Receivables

|                         | As at            |              |
|-------------------------|------------------|--------------|
|                         | 30 June 2019     | 30 June 2018 |
|                         | \$               | \$           |
| GST receivable          | <b>35,698</b>    | 56,086       |
| Project Waltons deposit | <b>1,150,000</b> | -            |
|                         | <b>1,185,698</b> | 56,086       |

### 13 Other payables

|                         | As at          |              |
|-------------------------|----------------|--------------|
|                         | 30 June 2019   | 30 June 2018 |
|                         | \$             | \$           |
| Management fees payable | <b>17,136</b>  | 23,661       |
| Audit fees payable      | <b>25,000</b>  | 25,000       |
| Sundry payables         | <b>239,206</b> | 144,982      |
| Related party loan      | <b>239,329</b> | -            |
|                         | <b>520,671</b> | 193,643      |

### 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 1.25% plus GST per annum.
- (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.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

### 14 Related party transactions (continued)

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 2019     | 30 June 2018 |
|  | \$               | \$           |
| Management and application fees for the year paid/payable by the Trust to Millinium Capital Managers Limited | <b>98,863</b>    | 155,024      |
| Recoverable expenses for the year paid/payable by the Trust to Millinium Capital Managers Limited            | <b>680,032</b>   | 40,843       |
| Management fees payable to the Responsible Entity at the end of the reporting period                         | <b>17,136</b>    | 23,661       |
| Related party loan   | <b>(239,329)</b> | -            |

### 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 2019 and 30 June 2018.

### Other related parties

Gibraltar Capital Pty Limited is a related party due to common directors of Tom Wallace and Paul Bray. At 30 June 2019 \$239,329 was owed to Gibraltar Capital Pty Limited in respect of cash advanced to the Trust for expenditure related to aborted acquisition costs, and is secured over the Trust's and assets of the Trust as further mentioned in note 16.

Kyabram Preserving Company Pty Limited is a related party due to common directors of Tom Wallace and Paul Bray, who became directors at the request of a former adviser to the Trust. During the year the Trust incurred expenses of \$356,554 in respect of aborted transaction costs on behalf of Kyabram Preserving Company Pty Limited. Due to the fact the transaction did not proceed the Trust has provided against the receivable in full at 30 June 2019. This transaction and the loss is subject to current legal proceedings against the former adviser to the Trust and his associates, as notified to investors and mentioned in note 16.

The Trust was issued shares in GeoGro Group Pty Ltd for reimbursement of expenses relating to a proposed acquisition. Tom Wallace is a director of GeoGro Group Pty Ltd, the entity established on behalf of the Trust to undertake the acquisition. The cost of the investment was \$1,676,500. Following delays in the acquisition the fair value has been assessed as nil at 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued) for the year ended 30 June 2019

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

|  | Year ended         |              |
|--|--------------------|--------------|
|  | 30 June 2019       | 30 June 2018 |
|  | \$                 | \$           |
| <b>(a) Reconciliation of profit to net cash outflow from operating activities</b>  |                    |              |
| Net profit/(loss) for the year   | -                  | -            |
| Increase/(decrease) in net assets attributable to unitholders  | <b>(5,318,789)</b> | 792,739      |
| Proceeds from sale of financial instruments held at fair value through profit or loss  | <b>3,120,166</b>   | 1,752,359    |
| Purchases of financial instruments held at fair value through profit or loss   | <b>(219,443)</b>   | (5,451,544)  |
| Net (gains)/losses on financial instruments held at fair value through profit or loss  | <b>3,668,186</b>   | (1,345,499)  |
| Net change in receivables and other assets   | <b>(425,592)</b>   | 44,504       |
| Net change in payables and other liabilities   | <b>87,699</b>      | 30,020       |
| <b>Net cash outflow from operating activities</b>  | <b>912,228</b>     | (4,177,421)  |
| <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

Subsequent to the year end the Trust entered into a loan agreement with Gibraltar Capital Pty Limited, a related party, to formalise the terms of the monies by the Trust. The loan agreement sets out the amounts owed are repayable 24 months after the loan is first made available, the interest rate will be 4%, and the total facility is \$739,065. The trust also entered into a security agreement in favour of Gibraltar Capital Pty Limited over current and future assets of the Trust. The loan has been provided by Gibraltar Capital Pty Ltd to assist the Trust to pursue the legal proceedings below.

In addition, the Trust has commenced legal proceedings against a former adviser for loss in relation to the aborted transactions costs and losses in relation to a disposal of investments in the amount of approximately \$2,590,000.

No other 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 2019 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 2019 (30 June 2018: Nil).

### 18 Contingent assets and liabilities

There were no outstanding contingent assets and liabilities as at 30 June 2019 (30 June 2018: Nil).

# DIRECTORS' DECLARATION

for the year ended 30 June 2019

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 25 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 2019 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

19 September 2019

# CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2019

## 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 ('RE') of the Trust.

As an RE of a scheme, Millinium 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; and
- exercising a duty of care and diligence;
- acting in the best interest of unitholders;
- treating unitholders equally where they hold the same class;
- treating unitholders fairly where they hold different classes;
- making sure the Trust property is valued at regular intervals;
- ensuring that all payments from the Trust are in accordance with the Constitution;
- reporting any breaches that may have a material adverse impact on the interests of unitholders; and
- making 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 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, in performing 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 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 Board, which has a majority of independent members. The Board of Millinium is responsible for monitoring the RE's compliance with the Compliance Plan and reporting any breaches to the Board of the RE and to ASIC. It is also responsible for reviewing the operations of the RE. Millinium also engages an external compliance consultant that monitors the RE's compliance and produces reports on the RE's compliance for each quarterly Board meeting.

## Financial Reporting

The auditor of the Compliance Plan must be different from the auditor of the RE and the Trust and both auditors report independently to the Board. The Managing Director provides written sign off to the Board 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:

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

The external auditors are invited to attend Board meetings at least quarterly where financial reports and compliance plan audits are presented and discussed.

# CORPORATE GOVERNANCE STATEMENT

## (continued) for the year ended 30 June 2019

### **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.

### **Risk Management and Oversight**

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

- appointment of appropriately qualified asset managers, reviewed quarterly;
- appointment of appropriately qualified service providers, such as registry, administration and custody providers;
- compliance with all of the policies and guidelines of ASIC and ASX; and
- 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.

The RE has undertaken a review of the risk management framework in the previous reporting period. Risk management is also discussed quarterly at the Board level. The RE is satisfied that the risk management framework continues to be sound.

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

The Trust and Millinium have complied with all the Corporate Governance Principles as at 30 June 2019.

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2019



## RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000  
GPO Box 5138 Sydney NSW 2001

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F +61 (0) 2 8226 4501

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

## INDEPENDENT AUDITOR'S REPORT To the Unitholders of the Millinium's Alternatives Fund

### Opinion

We have audited the financial report of Millinium's Alternatives Fund (the Trust), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i) giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the 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 to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters 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.

## THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

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# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2019



| Key Audit Matter   | How our audit addressed this matter  |
|--|--|
| <b>Valuation of Unlisted Equity Financial Assets</b><br>Refer to Note 11 in the financial statements   |  |
| <p>As at 30 June 2019, financial assets designated at fair value through profit or loss were recorded at a fair value of \$2,393,326 (2018: \$8,516,255), as disclosed in note 11 of the Trust's financial statements. Of the total fair value as at 30 June 2019, \$2,328,017 (2018: \$4,923,555) relates to unlisted equity financial assets that are classified as "Level 2" financial assets. A "Level 2" asset is one where there is no quoted market price available, but the valuation is based on observable market data. In this instance, the valuation was based on external independent capital raisings.</p> <p>The valuation of the unlisted financial assets was considered a key audit matter due to the materiality of the balance, and the significant judgements and complexity involved in determining the fair value.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>• Critically assessed methodology applied in the valuation model and evaluated the key assumptions used in the calculations.</li> <li>• Recalculated amounts recoded in the Statement of Profit or Loss and Other Comprehensive Income.</li> <li>• Substantiated inputs into the valuation model by verifying the prices obtained in independent capital raising transactions.</li> </ul> |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Trust's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the 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 determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the 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 either intend to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.



# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2019



## 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 website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

**RSM Australia Partners**

**David Talbot**

Partner

Sydney 19 September 2019

# UNITHOLDER INFORMATION

for the year ended 30 June 2019

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 2019 are listed below.

|  | Number held    | %             |
|--|----------------|---------------|
| JB HASTINGS NO1 LTD                                      | 108,750        | 9.07%         |
| BARRY CHAMBERLAIN & G M CHAMBERLAIN <CHAMBERLAIN A/C>    | 93,762         | 7.82%         |
| MS PAMELA MARGARET MCFADDEN                              | 93,100         | 7.76%         |
| MEEHAN BUSINESS TRUST                                    | 77,487         | 6.46%         |
| MR RAY DAY & MRS ERIN DAY <THE OXFORD A/C>               | 75,506         | 6.30%         |
| MR WINSTON COPELAND <HEDGEHOPE A/C>                      | 66,258         | 5.52%         |
| MR KEVIN MAURICE HARRIS                                  | 50,788         | 4.23%         |
| THE MAHAUGA TRUSTEE CO LTD <MICHAEL SALVESEN FAMILY A/C> | 46,787         | 3.90%         |
| MRS PAMELA MARGARET MCFADDEN                             | 43,394         | 3.62%         |
| TARUS TRUSTEE SERVICES                                   | 41,795         | 3.49%         |
| CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>   | 40,640         | 3.39%         |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                | 39,237         | 3.27%         |
| MS LEANNE JUDY MCFADDEN                                  | 38,054         | 3.17%         |
| JAKAJAMINA PTY LTD <JC LEA FAMILY A/C>                   | 30,982         | 2.58%         |
| BALMORAL SUPER PTY LTD <BALMORAL SUPERFUND A/C>          | 30,000         | 2.50%         |
| CHELSEA BAY PROPERTIES LIMITED                           | 24,380         | 2.03%         |
| POMANDA INVESTMENTS LTD                                  | 22,500         | 1.88%         |
| DAVID ALAN TAIT  | 21,229         | 1.77%         |
| BRIAN NORMAN QUEREE <THE BRIAN QUEREE A/C>               | 19,000         | 1.58%         |
| PACT 2086 TRUST  | 13,140         | 1.10%         |
|  | <b>976,789</b> | <b>81.44%</b> |

# CORPORATE DIRECTORY

as at 30 June 2019

## Responsible Entity

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

Paul Bray (non-executive director)  
Henry Capra (non-executive director)

## Company Secretary

Tom Wallace (director)

## Principal Registered Office in Australia

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

## Unit Register

Millinium Capital Managers Limited  
Current address:  
Level 33, 19 Martin Place  
Sydney NSW 2000

## Fund Administrator

Bacchus Associates Pty Limited  
Suite 9 Level 2, 56 Bowman Street  
Pyrmont NSW 2009

## Custodian

Sargon CT Pty Limited  
Level 19, 60 Castlereagh Street  
Sydney NSW 2000

## Independent Auditor

RSM Australia Partners  
Level 13  
60 Castlereagh Street  
Sydney NSW 2000

## 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)

