

# **Lucerne Growth**

ARSN 621 610 848

## **Annual report**

**For the year ended 30 June 2019**

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ARSN 621 610 848

## Annual report For the year ended 30 June 2019

### Contents

	<b>Page(s)</b>
Directors' Report	2-4
Auditor's Independence Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Net Assets Attributable to Unitholders	8
Statement of Cash Flows	9
Notes to the Financial Statements	10-25
Directors' Declaration	26
Independent Auditor's Report to the Unitholders of Lucerne Growth	27

These financial statements cover Lucerne Growth as an individual entity. The Responsible Entity of Lucerne Growth is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is:

Level 18 Angel Place  
123 Pitt Street  
Sydney NSW 2000

## Directors' Report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of the Lucerne Growth (the "Fund"). The Directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2019.

### Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund will invest in other funds. There are allocation limits placed on asset classes and strategies of the underlying funds. The Fund is also able to invest directly in primary and secondary market securities and derivatives as well as accounts receivable invoices. The Fund registered with Australian Securities and Investments Commission ("ASIC").

The Fund was constituted on 8 September 2017 and commenced operations on 1 December 2017.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

### Directors

The Directors of The Trust Company (RE Services) Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

#### Name

Glenn Foster

Christopher Green                      Resigned as Director on 17 October 2018

Michael Vainauskas

Andrew McIver                      Resigned as Alternate Director for Michael Vainauskas on 2 September 2019  
Appointed as Alternate Director for Glenn Foster on 2 September 2019

Richard McCarthy                      Appointed as Director on 17 October 2018

Gillian Larkins                      Resigned as Alternate Director for Glenn Foster on 12 October 2018

Phillip Blackmore                      Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018  
Resigned as Alternate Director for Christopher Green on 17 October 2018

Vicki Riggio

### Review and results of operations

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

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

	<b>Year ended 30 June 2019</b>	For the period from 8 September 2017 (date of constitution) to 30 June 2018
Operating profit/(loss) before financing costs attributable to unitholders (\$'000)	<b>(2,052)</b>	440
Distributions paid and payable (\$'000)	-	516
Distributions (cents per unit)	-	2.30

## Directors' Report

### Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

### Matters subsequent to the end of the financial year

Effective 2 September 2019, Andrew McIver resigned as Alternate Director for Michael Vainauskas and was appointed as Alternate Director for Glenn Foster.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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

### Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund 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 Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### Fees paid to and interests held in the Fund by the Responsible Entity and its associates

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

No fees were paid out of Fund's property to the Directors of the Responsible Entity during the year.

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

### Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 7 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 2 of the financial statements.

### Environmental regulation

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

### Rounding of amounts to the nearest thousand dollars

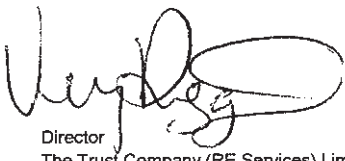
The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that *ASIC Corporations Instrument*, unless otherwise indicated.

**Directors' Report (continued)**

**Auditor's independence declaration**

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

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director  
The Trust Company (RE Services) Limited

Sydney  
25 September 2019



**Building a better  
working world**

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## Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited as Responsible Entity for Lucerne Growth

As lead auditor for the audit of the financial report of Lucerne Growth for the year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rohit Khanna  
Partner  
Sydney  
25 September 2019

**Lucerne Growth**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2019**

**Statement of Comprehensive Income**

		<b>Year ended 30 June 2019 \$'000</b>	For the period from 8 September 2017 (date of constitution) to 30 June 2018 \$'000
	Note		
<b>Investment income</b>			
Interest income from financial assets as amortised cost		20	11
Distribution income		338	747
Net foreign exchange gains/(losses)		(64)	(9)
Net gains/(losses) on financial instruments at fair value through profit or loss	5	(1,876)	(117)
Other income		49	4
<b>Total investment income/(loss)</b>		<b>(1,533)</b>	<b>636</b>
<b>Expenses</b>			
Management fees	14	351	56
Performance fees	14	-	62
Custody and administration fees		65	30
Responsible Entity's fees	14	47	27
Other operating expenses		56	21
<b>Total expenses</b>		<b>519</b>	<b>196</b>
<b>Operating profit/(loss)</b>		<b>(2,052)</b>	<b>440</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	8	-	(516)
(Increase)/Decrease in net assets attributable to unitholders	7	2,052	76
<b>Profit/(loss) for the year/period</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year/period</b>		<b>-</b>	<b>-</b>

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**Statement of Financial Position**

	Note	As at	
		30 June 2019 \$'000	30 June 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	4,864	3,133
Prepaid expenses		35	45
Due from brokers	12	1,933	-
Receivables	11	2,167	725
Financial assets at fair value through profit or loss	4,6	39,189	19,450
<b>Total assets</b>		<b>48,188</b>	<b>23,353</b>
<b>Liabilities</b>			
Distributions payable	8	-	516
Management fees payable	14	63	14
Performance fees payable	14	-	62
Custody and administration fees payable		9	14
Responsible Entity's fees payable	14	24	27
Subscriptions received in advance		850	-
Redemptions payable		2,239	-
Other operating expenses payable		22	15
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>3,207</b>	<b>648</b>
<b>Net assets attributable to unitholders - liability</b>	7	<b>44,981</b>	<b>22,705</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*



**Lucerne Growth**  
**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the year ended 30 June 2019**

**Statement of Changes in Net Assets Attributable to Unitholders**

	Note	Year ended 30 June 2019 \$'000	For the period from 8 September 2017 (date of constitution) to 30 June 2018 \$'000
<b>Total net assets attributable to unitholders - liability at the beginning of the financial year/period</b>		<b>22,705</b>	-
Applications	7	<b>30,210</b>	23,237
Redemptions	7	<b>(5,895)</b>	(456)
Units issued upon reinvestment of distributions	7	<b>13</b>	-
Change in net assets attributable to unitholders	7	<b>(2,052)</b>	(76)
<b>Total transactions with unitholders</b>		<b>22,276</b>	22,705
<b>Total net assets attributable to unitholders - liability at the end of the financial year/period</b>	7	<b>44,981</b>	22,705

*The above Statement of Changes in Net assets Attributable to Unitholders should be read in conjunction with the accompanying notes.*

**Statement of Cash Flows**

	Note	Year ended 30 June 2019 \$'000	For the period from 8 September 2017 (date of constitution) to 30 June 2018 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial assets at fair value through profit or loss		93,546	4,856
Purchase of financial assets at fair value through profit or loss		(117,093)	(24,423)
Interest income received		20	11
Distribution income received		(1,100)	28
Other income received		46	-
Management fees paid		(302)	(42)
Performance fees paid		(62)	-
Custody and administration fees paid		(70)	(17)
Responsible entity's fees paid		(51)	-
Other expenses paid		(39)	(52)
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<b>(25,105)</b>	<b>(19,639)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		31,059	23,237
Payments for redemptions by unitholders		(3,656)	(456)
Distributions paid to unitholders		(503)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>26,900</b>	<b>22,781</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,795</b>	<b>3,142</b>
Cash and cash equivalents at the beginning of the financial year/period		3,133	-
Effect of foreign currency exchange rate changes on cash and cash equivalents		(64)	(9)
<b>Cash and cash equivalents at the end of the financial year/period</b>	9	<b>4,864</b>	<b>3,133</b>
Non-cash financing activities	10(b)	13	-

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**Notes to the Financial Statements**

	<b>Page(s)</b>
1 General information	11
2 Summary of significant accounting policies	11-15
3 Financial risk management	15-18
4 Fair value measurement	19-20
5 Net gains/(losses) on financial instruments at fair value through profit or loss	20
6 Financial assets at fair value through profit or loss	21
7 Net assets attributable to unitholders	21
8 Distributions to unitholders	22
9 Cash and cash equivalents	22
10 Reconciliation of net profit/(loss) to net cash inflow/(outflow) from operating activities	22
11 Receivables	22
12 Due from brokers	23
13 Auditor's remuneration	23
14 Related party transactions	23-25
15 Subsequent events	25
16 Contingent assets and liabilities and commitments	25

## **1 General information**

These financial statements cover Lucerne Growth (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 8 September 2017. The Fund will terminate two days before the 80th anniversary of the date of the Constitution or at the discretion of the Responsible Entity as set out in the Fund's Constitution, whichever is earlier.

The Responsible Entity of the Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) (the "Responsible Entity"). The Responsible Entity's registered office is Level 18, Angel Place, 123 Pitt Street, Sydney NSW 2000. The financial statements are presented in the Australian currency unless otherwise noted.

The investment manager of the Fund is Lucerne Australia Pty Ltd (the "Investment Manager").

The Fund is managed with the intention of generating capital appreciation and income over the long term without regard to equity indices. The recommended minimum investment timeframe is 5 years.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT.

The financial statements of the Fund are for the year ended 30 June 2019. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the Directors (the "Directors of the Responsible Entity") on 25 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.

### **(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 (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity 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 financial assets at fair value through profit or loss and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at year end.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months cannot be reliably determined.

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

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

#### *(ii) New and amended standards adopted by the Fund*

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

AASB 9 became effective for annual periods on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139 *Financial Instruments: Recognition and Measurement*.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments in either the current or comparative period. The Fund's financial assets and financial liabilities continue to be classified as fair value through profit or loss. There was no material impact on adoption from the application of the new impairment model.

## 2 Summary of significant accounting policies (continued)

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

(ii) *New and amended standards adopted by the Fund (continued)*

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

AASB 15 became effective for annual periods beginning on or after 1 January 2018.

AASB 15 replaces 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 Fund's main sources of income are interest, dividends, and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

### (b) Financial instruments

(i) *Classification*

- Financial assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

- Financial liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

(ii) *Impairment*

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the amortised cost. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(iii) *Recognition and derecognition*

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

(iv) *Measurement*

At initial recognition, the Fund 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 financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial assets at fair value through profit or loss in the period in which they arise.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iv) Measurement (continued)

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 quoted market price used for financial assets held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Fund 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 comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, 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.

Further details on how the fair values of financial instruments are determined are disclosed in Note 4 to the financial statements.

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is 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 at the end of the reporting year, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the redeemable units of the Fund fails to meet both criteria as below:

- The puttable units is part of a class of units that is subordinate to other unit classes and instruments;
- All puttable units in the most subordinate class have identical features.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund.

### (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 from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### (e) Investment income

#### (i) Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

#### (ii) Distributions

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

## 2 Summary of significant accounting policies (continued)

### (f) Expenses

All expenses, including management fees, performance fees, Responsible Entity's fees, custody and administration fees, are recognised in the statement of comprehensive income on an accruals basis.

### (g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

### (h) Distributions

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund 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.

The Fund may distribute its distributable income in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### (i) Increase/decrease in net assets attributable to unitholders

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

### (j) Foreign currency translation

#### (i) Functional and presentation currency

Balances included in the Fund'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 Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial assets at fair value through profit or loss.

### (k) Receivables

Receivables may include amounts for interest and dividends. Dividends are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

## 2 Summary of significant accounting policies (continued)

### (l) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year.

A separate distribution payable is recognised in the statement of financial position as at the end of each reporting year where this amount remains unpaid as at the end of the reporting year.

Distributions declared effective 30 June in relation to unitholders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the next financial year.

### (m) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund 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 Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence investment management fees, custodial fees and 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) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the 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.

The valuation methods and policies applied by the Responsible Entity must be consistent with ordinary commercial practices for valuing financial instruments of the relevant kind. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity.

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 please see Note 4 to the financial statements.

### (p) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the *ASIC Corporations Instrument*, unless otherwise indicated.

## 3 Financial risk management

### (a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund;

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

### (b) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Fund is exposed to market risks influencing investment valuations. The Fund may utilise derivatives to manage this risk.



### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (i) Price risk

The Fund is exposed to price risk on fund investment. This arises from investments held by the Fund for which prices in the future are uncertain.

Price risk is managed by Lucerne Australia Pty Ltd and the Fund seeks to mitigate price risk by ensuring the Fund is managed in line with its Investment Management Agreement ("IMA"). The Investment Manager monitors the Fund on a regular basis.

The table below illustrates overall market exposures of the Fund to price risk:

	Fair value \$'000	% of net attributable to unitholders %
<b>30 June 2019</b>		
<b>Financial assets at fair value through profit or loss</b>		
Fund investments	39,093	86.91
Forwards	96	0.21
<b>30 June 2018</b>		
<b>Financial assets at fair value through profit or loss</b>		
Fund investments	19,450	85.66

The table at Note 3(c) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the investment portfolio in which the Fund invests moves by +/-10% from the year end prices with all other variables held constant.

##### (ii) Interest rate risk

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Fund to interest rate risk.

The Fund'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 cash flows. The risk is measured using sensitivity analysis.

Interest rate risk is managed as a part of price risk, and measured using the sensitivity analysis at Note 3(c).

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting year.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>As at 30 June 2019</b>				
<b>Assets</b>				
Cash and cash equivalents	4,864	-	-	4,864
Receivables	-	-	2,167	2,167
Due from brokers	-	-	1,933	1,933
Financial assets at fair value through profit or loss	-	-	39,189	39,189
<b>Total assets</b>	<b>4,864</b>	<b>-</b>	<b>43,289</b>	<b>48,153</b>
<b>Liabilities</b>				
Distributions payable	-	-	-	-
Management fees payable	-	-	63	63
Performance fees payable	-	-	-	-
Custody and administration fees payable	-	-	9	9
Responsible Entity's fees payable	-	-	24	24
Subscriptions received in advance	-	-	850	850
Redemptions payable	-	-	2,239	2,239
Other operating expenses payable	-	-	22	22
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>3,207</b>	<b>3,207</b>
<b>Net exposure</b>	<b>4,864</b>	<b>-</b>	<b>40,082</b>	<b>44,946</b>

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (ii) Interest rate risk (continued)

As at 30 June 2018	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Assets</b>				
Cash and cash equivalents	3,133	-	-	3,133
Receivables	-	-	725	725
Financial assets at fair value through profit or loss	-	-	19,450	19,450
<b>Total assets</b>	<b>3,133</b>	<b>-</b>	<b>20,175</b>	<b>23,308</b>
<b>Liabilities</b>				
Distributions payable	-	-	516	516
Management fees payable	-	-	14	14
Performance fees payable	-	-	62	62
Custody and administration fees payable	-	-	14	14
Responsible Entity's fees payable	-	-	27	27
Other operating expenses payable	-	-	15	15
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>648</b>	<b>648</b>
<b>Net exposure</b>	<b>3,133</b>	<b>-</b>	<b>19,527</b>	<b>22,660</b>

The table at Note 3(c) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value of changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 100 basis points from the period end rates with all other variables held constant.

#### (c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders 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, interest rates and the historical correlation of the Fund'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 movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund 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 attributable to unitholders			
	Price risk		Interest rate risk	
	-10% \$'000	+10% \$'000	-100bps \$'000	+100bps \$'000
<b>As at 30 June 2019</b>	<b>(3,919)</b>	<b>3,919</b>	<b>(486)</b>	<b>486</b>
As at 30 June 2018	(1,945)	1,945	(313)	313

#### (d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of the financial assets.

##### (i) Bank deposits, assets held with the custodian and derivative financial instruments

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, assets held with the custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

The table below summarises these assets at 30 June 2019 and 30 June 2018:

As at 30 June 2019	\$'000	Credit rating	Source of credit rating
<b>Banks and Custodian</b>			
JP Morgan Chase Bank	3,721	A-1	S&P
National Australia Bank	850	A-1+	S&P
As at 30 June 2018	\$'000	Credit rating	Source of credit rating
<b>Banks and Custodian</b>			
JP Morgan Chase Bank	3,132	A-1	S&P
National Australia Bank	1	A-1+	S&P

The custody balance with Mainstream Fund Services Pty Ltd includes investments in funds totalling \$39,093,281 (2018: \$19,450,428). The Fund has a cash balance held by the broker, Velocity Trade amounting to \$293,000 as at 30 June 2019 (2018: nil).

### 3 Financial risk management (continued)

#### (d) Credit risk (continued)

There is risk that derivative counterparties may not perform in accordance with the contractual provisions. The counterparties to the Fund's derivative investments may include affiliates of the Fund's clearing brokers and other major financial institutions. The Fund's exposure to credit risk associated with a counterparty with which it trades OTC derivatives is limited to the balance of the collateral pledged to that counterparty, plus the net unrealised gains on the OTC derivative contracts with such counterparty. In the case of exchange-traded and centrally cleared derivatives, the central clearing house acts as the counterparty to each transaction, and therefore the credit risk associated with the derivative contract and any related collateral amounts pledged is limited to the failure of the clearing house.

The Fund minimises counterparty credit risk through credit limits and approvals, credit monitoring procedures, executing master netting arrangements and managing margin and collateral requirements, as appropriate.

The Fund may record counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty. These adjustments are recorded on the market quotes received from counterparties or other market participants since these quotes may not fully reflect the credit risk of the counterparties to the derivative instruments. The Fund has not recorded any counterparty credit risk valuation adjustments for year ended 30 June 2019.

The Fund also limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Investment Manager considers to be well established.

In the normal course of business, the Fund may enter into agreements with certain counterparties for OTC derivative transactions. A number of the Funds' derivative agreements contain provisions that require the Fund to maintain a predetermined level of capital, and/or provide limits regarding the decline of the Funds' capital over specified time periods. If the Fund were to violate such provisions, the counterparties to the derivative instruments could request immediate payment or demand immediate collateralisation on derivative instruments in net liability positions. If such events are not cured by the Fund or waived by the counterparties, they may decide to curtail or limit extension of credit, and the Fund may be forced to unwind its derivative positions which may result in material losses.

#### (e) Liquidity risk

Liquidity risk is the risk that the Fund 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.

Exposure to liquidity risk for the Fund may arise from the requirement to meet monthly unitholder redemption requests or to fund foreign exchange related cash flow requirements. Liquidity risk is managed by the Investment Manager.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

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

The table below analyses the Fund'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 unitholder'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 for the medium to long term.

<b>As at 30 June 2019</b>	<b>Less than 1 month \$'000</b>	<b>1-6 months \$'000</b>	<b>6-12 months \$'000</b>	<b>1-2 years \$'000</b>
Management fees payable	63	-	-	-
Performance fees payable	-	-	-	-
Custody and administration fees payable	9	-	-	-
Responsible Entity's fees payable	24	-	-	-
Subscriptions received in advance	850	-	-	-
Redemptions payable	2,239	-	-	-
Other operating expenses payable	22	-	-	-
Net assets attributable to unitholders	44,981	-	-	-
Distributions payables	-	-	-	-
Contractual cash flows (excluding derivatives)	<b>48,188</b>	-	-	-
<b>As at 30 June 2018</b>	<b>Less than 1 month \$'000</b>	<b>1-6 months \$'000</b>	<b>6-12 months \$'000</b>	<b>1-2 years \$'000</b>
Management fees payable	14	-	-	-
Performance fees payable	62	-	-	-
Custody and administration fees payable	14	-	-	-
Responsible Entity's fees payable	27	-	-	-
Other operating expenses payable	15	-	-	-
Net assets attributable to unitholders	22,705	-	-	-
Distributions payables	-	516	-	-
Contractual cash flows (excluding derivatives)	<b>22,837</b>	<b>516</b>	-	-

#### 4 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis. The Fund has no assets and liabilities measured at fair value on a non-recurring basis in the current reporting period.

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

AASB 13 *Fair Value Measurement* 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).

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by underlying fund managers and/or any independent third party pricing services for the valuation of its investments.

##### (a) Fair value in an active market (level 1)

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

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund 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 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 management's 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.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

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

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

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

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2019 and 30 June 2018:

As at 30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss				
Fund investments	1,640	36,588	865	39,093
Forwards	-	96	-	96
<b>Total financial assets at fair value through profit or loss</b>	<b>1,640</b>	<b>36,684</b>	<b>865</b>	<b>39,189</b>

#### 4 Fair value measurement (continued)

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

As at 30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss				
Fund investments	-	19,450	-	19,450
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>19,450</b>	<b>-</b>	<b>19,450</b>

##### (d) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There is no transfer between levels of Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2019.

##### (e) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2019.

	As at 30 June 2019 \$'000	As at 30 June 2018 \$'000
Financial assets at fair value through profit or loss:		
<b>Opening balance - beginning of the year</b>	-	-
Purchases	851	-
Net unrealised gains on financial assets at fair value through profit or loss	14	-
<b>Closing balance - end of year</b>	<b>865</b>	<b>-</b>

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See Note 4(b) for the valuation techniques adopted.

	Fair value at 30 June 2019 \$'000	Unobservable inputs	Reasonable possible shift +/- (absolute value)	Change in valuation \$'000
<b>Fund investment</b>				
Wingate Investment Partners Trust No. 3	865	Published redemption prices	+/- 10%	87 / (87)

##### (f) Financial assets not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

Net assets attributable to unitholders' 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 year.

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

Net gains/(losses) recognised in relation to financial assets at fair value through profit or loss:

	Year ended 30 June 2019 \$'000	For the period from 8 September 2017 (date of constitution) to 30 June 2018 \$'000
<b>Financial assets at fair value through profit or loss</b>		
Net realised gains/(losses) on financial assets at fair value through profit or loss	(1,472)	(56)
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	(404)	(61)
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>(1,876)</b>	<b>(117)</b>

## 6 Financial assets at fair value through profit or loss

The following table details the financial assets by the Fund during the year:

	As at 30 June 2019 Fair Value \$'000	As at 30 June 2018 Fair Value \$'000
<b>Financial assets at fair value through profit or loss</b>		
Fund investments	39,093	19,450
Forwards	96	-
<b>Total financial assets at fair value through profit or loss</b>	<b>39,189</b>	<b>19,450</b>
<b>Comprising:</b>		
<b>Fund investments</b>		
Australian fund investments	27,434	17,365
International fund investments	11,659	2,085
<b>Total fund investments</b>	<b>39,093</b>	<b>19,450</b>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3.

## 7 Net assets attributable to unitholders

Movements in the net assets attributable to unitholders during the year were as follows:

	Fee Class 1		Fee Class 2		Total	
	Units '000	\$'000	Units '000	\$'000	Units '000	\$'000
<b>As at 30 June 2019</b>						
<b>Opening balances</b>	9,725	9,862	12,676	12,843	22,401	22,705
Applications	19,114	19,379	10,677	10,831	29,791	30,210
Redemptions	(3,847)	(3,716)	(2,218)	(2,179)	(6,065)	(5,895)
Units issued upon reinvestment of distributions	10	10	3	3	13	13
(Decrease)/Increase in net assets attributable to unitholders	-	(1,229)	-	(823)	-	(2,052)
<b>Closing balance</b>	<b>25,002</b>	<b>24,306</b>	<b>21,138</b>	<b>20,675</b>	<b>46,140</b>	<b>44,981</b>
<b>As at 30 June 2018</b>						
<b>Opening balances</b>	-	-	-	-	-	-
Applications	9,919	10,077	12,924	13,160	22,843	23,237
Redemptions	(194)	(200)	(248)	(256)	(442)	(456)
Units issued upon reinvestment of distributions	-	-	-	-	-	-
(Decrease)/Increase in net assets attributable to unitholders	-	(15)	-	(61)	-	(76)
<b>Closing balance</b>	<b>9,725</b>	<b>9,862</b>	<b>12,676</b>	<b>12,843</b>	<b>22,401</b>	<b>22,705</b>

As stipulated within the Fund's Constitution, investors can select to apply for Units in Fee Class 1 and Fee Class 2. Fee Class 1 has a higher management fee while Fee Class 2 has a lower management fee but is subject to a performance fee.

### Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unitholders.

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

## 8 Distributions to unitholders

The distributions declared during the year were as follows:

	Year ended 30 June 2019		Period ended 30 June 2018	
	\$'000	CPU	\$'000	CPU
<b>Distributions payable</b>				
Fee Class 1	-	-	237	2.44
Fee Class 2	-	-	279	2.20

There is no distribution for the half-year ended 31 December 2018 and year ended 30 June 2019.

## 9 Cash and cash equivalents

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Cash at bank	4,864	3,133
<b>Total cash and cash equivalents</b>	<b>4,864</b>	<b>3,133</b>

The cash at bank balance is included cash held by broker amounting to \$293,000 (2018: nil).

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

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
<b>(a) Reconciliation of net profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Increase/(decrease) in net assets attributable to unitholders	(2,052)	(76)
Effect of foreign currency exchange rate changes on cash and cash equivalents	64	9
Distributions to unitholders	-	516
Proceeds from sale of financial assets at fair value through profit or loss	93,546	4,856
Purchase of financial assets at fair value through profit or loss	(117,093)	(24,423)
Net (gains)/losses on financial instruments at fair value through profit or loss	1,876	117
Net change in other assets and receivables	(1,432)	(770)
Net change in payables	(14)	132
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(25,105)</b>	<b>(19,639)</b>

### (b) Non-cash operating and financing activities

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

	13	-
<b>Total non-cash operating and financing activities</b>	<b>13</b>	<b>-</b>

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.

## 11 Receivables

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
GST receivables	3	2
Management fee rebates from investments	7	4
Distributions receivables	2,157	719
<b>Total receivables</b>	<b>2,167</b>	<b>725</b>

**12 Due from brokers**

	<b>30 June 2019 \$'000</b>	<b>As at 30 June 2018 \$'000</b>
Due from brokers for proceeds from sale of financial assets at fair value through profit or loss	1,933	-
<b>Total due from brokers</b>	<b>1,933</b>	-

**13 Auditor's remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	<b>Year ended 30 June 2019 \$</b>	<b>For the period from 8 September 2017 (date of constitution) to 30 June 2018 \$</b>
<b>Ernst &amp; Young Australian firm</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	21,750	14,000
Total remuneration for audit and other assurance services	21,750	14,000
<i>Taxation services</i>		
Tax compliance services	8,000	5,500
Total remuneration for taxation services	8,000	5,500
<b>Total remuneration for Ernst &amp; Young Australian firm</b>	<b>29,750</b>	19,500
<b>PricewaterhouseCoopers Australian firm</b>		
<i>Audit and other assurance services</i>		
Compliance plan audit services	2,350	2,350
Total remuneration for audit and other assurance services	2,350	2,350
<b>Total remuneration for PricewaterhouseCoopers Australian firm</b>	<b>2,350</b>	2,350

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

**14 Related party transactions**

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

**Responsible Entity**

The Responsible Entity of Lucerne Growth is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). Accordingly, transactions with entities related to The Trust Company (RE Services) Limited are disclosed below.

The Responsible Entity has contracted services to Lucerne Australia Pty Ltd, to act as Investment Manager for the Fund, and Mainstream Fund Services Pty Ltd to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

**Key management personnel**

Directors

Key management personnel include persons who were Directors of The Trust Company (RE Services) Limited during or since the end of the year and to the date of this report.



## 14 Related party transactions (continued)

### Key management personnel (continued)

Directors (continued)

#### Name

Glenn Foster

Christopher Green Resigned as Director on 17 October 2018

Michael Vainauskas

Andrew McIver Resigned as Alternate Director for Michael Vainauskas on 2 September 2019  
Appointed as Alternate Director for Glenn Foster on 2 September 2019

Richard McCarthy Appointed as Director on 17 October 2018

Gillian Larkins Resigned as Alternate Director for Glenn Foster on 12 October 2018

Phillip Blackmore Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018  
Resigned as Alternate Director for Christopher Green on 17 October 2018

Vicki Riggio

### Key management personnel unitholdings

During or since the end of the year, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

### Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund in their capacity as Directors of the Responsible Entity. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

### Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

### Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving management personnel's interests existing at year end.

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

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity is entitled to receive management fees of 1.15% (including GST and net of reduced input tax credits) for Fee Class 1 and 0.40% (including GST and net of reduced input tax credits) for Fee Class 2. The Investment Manager is entitled to receive performance fees of 12% (including GST and net of reduced input tax credits) for Fee Class 2. There is no performance fees for Fee Class 1.

The transactions during the year end and amounts payable as at period end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended 30 June 2019 \$	Period ended 30 June 2018 \$
Management fees for the year/period paid and payable by the Fund to the Investment Manager	351,498	55,796
Performance fees for the year/period paid and payable by the Fund to the Investment Manager	350	62,012
Responsible Entity's fees for the year/period paid and payable by the Fund to the Responsible Entity	47,100	27,431
Aggregate amounts payable to the Investment Manager at reporting date	63,550	75,902
Aggregate amounts payable to the Responsible Entity at reporting date	23,513	27,431

For information on how management and performance fees are calculated please refer to the Fund's Product Disclosure Statement.

Investment Management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Information Memorandum.

**14 Related party transactions (continued)**

**Related party unitholdings**

Parties related to the Fund (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited and the Investment Manager) held no units in the Fund as at 30 June 2019 (2018: nil).

**Investments**

The Fund did not hold any investments in the The Trust Company (RE Services) Limited or of its affiliates or funds managed by Lucerne Australia Pty Ltd during the year.

**15 Subsequent events**

Effective 2 September 2019, Andrew McIver resigned as Alternate Director for Michael Vainauskas and was appointed as appointed as Alternate Director for Glenn Foster.

Other than the matter noted above, the Directors are not aware of any event or circumstance since the end of the financial year not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

**16 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2019 and 30 June 2018.

## Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 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 financial year 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; and
- (c) Note 2(a) confirms that the financial statements comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director

Sydney  
25 September 2019



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## Independent Auditor's Report to the Unitholders of Lucerne Growth

### Opinion

We have audited the financial report of Lucerne Growth (the Fund), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

- a) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the year ended on that date and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities or the Auditor's Independence section of our report. We are independent of the Fund 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors of the Responsible Entity are responsible for the other information. The other information is the directors' report accompanying the financial report.

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.



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## Responsibilities of the Responsible Entity for the Financial Report

The directors of the Responsible Entity of the Fund 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Responsible Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Rohit Khanna  
Partner  
Sydney  
25 September 2019