

**ARMINIUS CAPITAL EMMA FUND**  
ARSN 614 074 449

**GENERAL PURPOSE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2018**

## **Arminius Capital EMMA Fund - ARSN 614 074 449**

### **Directors' Report**

The directors of Quay Fund Services Limited, the Responsible Entity ("the RE") of Arminius Capital EMMA Fund (ARSN 614 074 449) ("the Fund"), present their report together with the financial report of the Fund for the year ended 30 June 2018 and the auditor's report thereon.

#### **Directors**

The names of the directors of the RE, Evolution Trustees Limited, who held office during the year were:

Rupert Clive Smoker  
Alexander James Calder  
David Roko Grbin  
David Lom (*alternate director for Rupert Smoker*)

#### **Review of operations**

Net profit attributable to unitholders for the year ended 30 June 2018 was \$214,421 (2017: \$49,813)

Distributions to unitholders during the year were \$275,975 (2017: \$58,093)

#### **Principal activities**

The principal activity of the Fund during the year was the investment and management of securities in accordance with its investment objectives and guidelines as set out in the Product Disclosure Statement and in accordance with the provisions of the Constitution.

The Fund did not have any employees during the year.

#### **Events subsequent to the balance date**

Effective 13<sup>th</sup> July 2018 a new RE Quay Fund Services Limited – ACN 616 465 671 was appointed and the old RE Evolution Trustees Limited ACN 611 839 519 retired.

At the date of this report the directors of the RE, Quay Fund Services Limited are:

William John Ballhausen  
Simon Angus Lindsay  
Oliver John Morgan

There has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Fund's operations in future financial periods, the results of those operations or the Fund's state of affairs in future financial periods.

#### **Likely developments**

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 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.

Likely developments in the operations of the Fund and the expected results of those operations in future periods have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Fund.

#### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in note 2 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 1 of the financial statements.

## **Arminius Capital EMMA Fund - ARSN 614 074 449**

### **Directors' Report**

#### **Fees paid to the RE**

Fees paid to the RE out of Fund property during the year are disclosed in note 9(a) of the financial statements.

#### **Environmental regulation**

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

#### **Options**

No options over issued units or interests in the Fund were granted during or since the end of the year and there were no options granted to the RE.

#### **Indemnities and insurance premiums for officers or auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer of the Fund.

#### **Proceedings on behalf of the Fund**

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

The Fund was not a party to any such proceedings during the year.

#### **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 4.

Signed in accordance with a resolution of the Board of Directors of Quay Fund Services Limited



Director

Dated 30 October 2018

Sydney

## Auditor's Independence Declaration

To the Directors of Quay Fund Services Limited as Responsible Entity for Arminius Capital EMMA Fund

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Arminius Capital EMMA Fund for the year ended 30 June 2018, I declare that, 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.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



G S Layland  
Director – Audit & Assurance

Sydney, 30 October 2018

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**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 30 June 2018**

	<b>Notes</b>	<b>For year ended 30 June 2018 \$</b>	<b>For year ended 30 June 2017 \$</b>
<b>Investment income</b>			
Distributions/Dividend income		304,496	53,493
Interest income		23,841	7,476
Change in fair value of financial instruments		(69,766)	(3,420)
Other income		1,402	64,776
<b>Total investment income</b>		<u>259,973</u>	<u>122,325</u>
 <b>Expenses</b>			
Management fees		42,564	
Responsible Entity fees		-	27,431
Other expenses		2,988	45,081
<b>Total expenses</b>		<u>45,552</u>	<u>72,512</u>
 <b>Net operating profit for the year</b>		214,421	49,813
Distribution to unitholders	3	(275,975)	(58,093)
Decrease in net assets attributable to unitholders		<u>61,554</u>	<u>8,280</u>
 <b>Profit for the year</b>		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

These financial statements should be read in conjunction with the accompanying notes.

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Statement of Financial Position  
As at 30 June 2018**

	<b>Notes</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>Assets</b>			
Cash and cash equivalents	8(a)	234,536	1,211,135
Financial assets held at fair value through profit or loss	5	10,813,544	2,061,664
Due from broker		154,203	-
Receivables	6	19,508	34,879
<b>Total Assets</b>		<u>11,221,791</u>	<u>3,307,678</u>
 <b>Liabilities</b>			
Distributions payables	3	123,031	43,302
Payables	7	4,652	20,681
<b>Total Liabilities (excluding net assets attributable to unitholders)</b>		<u>127,683</u>	<u>63,983</u>
 <b>Net assets attributable to unitholders - liability</b>	2	<u>11,094,108</u>	<u>3,243,695</u>

These financial statements should be read in conjunction with the accompanying notes.

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Statement of Changes in Equity**

**For the year ended 30 June 2018**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there is no equity at the start or end of the year.

These financial statements should be read in conjunction with the accompanying notes.

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Statement of Cash flows  
For the year ended 30 June 2018**

	<b>Notes</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>Cash flows from operating activities</b>			
Distributions/Dividends received		294,890	53,493
Interest received		21,209	7,000
Other income received		29,011	30,373
Responsible Entity fees paid		(3,208)	(24,223)
Management fees paid		(37,912)	-
Other expenses paid		(20,461)	(27,608)
Net cash provided by operating activities	8(b)	<u>283,529</u>	<u>39,035</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of financial instruments held at fair value through profit and loss		9,541,402	2,325,778
Payment for financial instruments held at fair value through profit and loss		(18,517,251)	(4,390,862)
Net cash flow used in investing activities		<u>(8,975,849)</u>	<u>(2,065,084)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		8,885,698	3,668,982
Payment for redemption of units		(1,091,578)	(421,484)
Distributions paid		(78,399)	(10,314)
Net cash provided by financing activities		<u>7,715,721</u>	<u>3,237,184</u>
Net (Decrease)/increase in cash held		(976,599)	1,211,135
Cash at beginning of year		<u>1,211,135</u>	<u>-</u>
Cash at end of year	8(a)	<u>234,536</u>	<u>1,211,135</u>

These financial statements should be read in conjunction with the accompanying notes.



## **Arminius Capital EMMA Fund - ARSN 614 074 449**

### **Notes to the Financial Statements For the year ended 30 June 2018**

#### **NOTE 1: Statement of Significant Accounting Policies**

Arminius Capital EMMA Fund (the "Fund") is a registered managed investment scheme under the Corporations Act 2001. The financial report of the Fund is for the year ended 30 June 2018. This financial report covers the Fund as an individual entity.

The Fund was constituted and registered as a managed investment scheme on 17 August 2016 with the Australian Securities & Investments Commission ("ASIC"). The Fund commenced operations on 29 October 2016. On 13<sup>th</sup> of July, Evolution Trustees Limited retired as the Fund's Responsible Entity. The Fund's new Responsible Entity is Quay Fund Services Limited ("the RE"). The registered office and principal of the RE is Level 8, 56 Pitt Street, Sydney NSW 2000.

The principal accounting policies applied in the preparation of these financial statements are set out below.

The financial statements were approved by the Board of Directors of the RE on 30 October 2018.

#### **a. Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recorded or settled within 12 months in relation to these balances cannot be reliably determined.

The Fund is a for profit entity for the purposes of preparing the financial statements.

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

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

##### *(ii) Reporting basis and conventions*

The financial report has been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The financial report is presented in Australian currency, which is also the functional currency.

##### *(iii) Use of estimates and judgments*

In the application of accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The significant accounting policies have been consistently applied in the current financial year unless otherwise stated.

#### **Fair value of financial instruments**

As at 30 June 2018 the fair values of financial assets recorded in the statement of financial position were measured based on quoted prices of the underlying security in active markets.

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 1: Statement of Significant Accounting Policies (cont'd)**

**b. Financial Instruments**

(i) Classification

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

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

These include financial assets that are not held for trading purposes and which may be sold. These are investments in Australian listed exchange traded funds and investment-grade fixed-income securities.

Financial assets 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 Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition/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.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

(a) Financial assets held at fair value through profit or loss.

Financial assets held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss is measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

- Fair value in an active market

The fair value of financial assets traded in active markets is based on their quoted market prices at the Statement of Financial Position date without any deduction for estimated future selling costs. Financial assets are priced at last traded prices.

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 1: Statement of Significant Accounting Policies (cont'd)**

**c. Investment income and expenses**

Changes in the fair value of financial instruments are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Gross proceeds from sale of investments are disclosed in the Statement of Cash Flows.

Dividend income is recognised on an accrual basis on the date the shares are quoted ex dividend.

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through the profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 1(b).

All expenses including administration fees are recognised on an accrual basis in the Statement of Profit or Loss and Other Comprehensive Income.

**d. Income tax**

Under current legislation the Fund is not subject to income tax provided unitholders are presently entitled and taxable income including assessable capital gains is fully distributed to Unitholders.

**e. Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, demand deposits, short term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short term investments which are not held for the purpose of meeting short-term cash commitments as well as restricted margin accounts are not considered as 'cash and cash equivalents'.

**Cash and cash equivalents held in trust and not recognised in the statement of financial position**

Pursuant to the Fund's constitution, Fund's Assets exclude application funds where units have not been issued. Cash held in relation to application funds are therefore not available for use in the Fund's operations. All such monies are segregated from the Fund's own cash. At reporting date, the balance of monies held in bank accounts representing application funds for units not yet issued is \$176 (2017: \$416,346).

**f. Goods and services tax (GST)**

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) hence investment administration fees and other expenses have been recognised in the Statement of Profit or Loss and Other 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.

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 1: Statement of Significant Accounting Policies (cont'd)**

**g. Foreign currency translations**

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments, classified as at fair value through profit or loss, are included in the Statement of Profit or Loss and Other Comprehensive Income as part of the 'Change in net fair value of financial instruments.

**h. Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the Statement of Financial Position.

**i. Distributions**

In accordance with the Fund's Constitution and applicable taxation legislation, the Fund fully distributes its distributable income to the unitholders by way of cash or reinvestment into the Fund.

The distributions are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs attributable to unitholders.

Distributions to Unitholders comprise the net income of the Fund to which the unitholders are presently entitled. The distributions are payable at the end of each September, December, March and June quarter.

**j. Payables**

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

**k. Receivables**

Receivables may include amounts for interest. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables. Given the short term nature of receivables, the nominal amount approximates fair value.

**l. 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. The units exit price is calculated in accordance with the Constitution of the Fund and is determined by the value of the assets of the Fund less its liabilities adjusted for estimated transaction costs, divided by the number of units on issue.

**m. Net assets attributable to unitholders**

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the Statement of Financial Position date if unitholders exercised their right to redeem units in the Fund.

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 1: Statement of Significant Accounting Policies (cont'd)**

**n. New accounting standards and interpretations**

The Fund has adopted all mandatory standards and amendments for the period beginning 1 September 2016. Adoption of these standards and amendments has not had a material impact on the financial position or performance of the Fund.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the reporting year ended 30 June 2018. The impact of these statements and interpretations has been assessed, to the extent applicable to the Fund and are discussed below. Standards and Interpretations that are not applicable to the Fund have not been included.

**AASB 9 – Financial Instruments and related amendment AASB 2009-11**

AASB 9 applies to annual reporting years beginning on or after 1 January 2018 and will therefore apply to the Fund from 1 July 2018. The Fund does not intend to early adopt AASB 9 as permitted by the standard. The application of the standard is not expected to change the measurement basis of any of the Fund's current financial instruments. However, it may impact the presentation and disclosures in the "Financial Statements".

**NOTE 2. Net assets attributable to unitholders**

	<b>2018 Units</b>	<b>2018 \$</b>	<b>2017 Units</b>	<b>2017 \$</b>
Opening balance	3,240,882	3,243,695	-	-
Units issued during the year	8,880,994	8,885,698	3,655,425	3,668,982
Units redeemed during the year	(1,089,321)	(1,091,578)	(419,008)	(421,484)
Distribution	118,075	117,847	4,465	4,477
Increase/(decrease) in net assets attributable to unitholders	-	(61,554)	-	(8,280)
Closing balance	11,150,630	11,094,108	3,240,882	3,243,695

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

Each unit has the same rights attaching to it as all other units of the Fund. The Trustee may at any time issue a different Series in accordance with the terms of issue. Each series will differ only for reason of performance fee calculation.

**NOTE 3. Distributions to unitholders**

	<b>2018 \$</b>	<b>2017 \$</b>
Distributions paid/payable	275,975	58,093
Distributions payable at year end	123,031	43,302
Cents per unit	0.0110	0.0184

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 4. Capital Risk Management**

The Fund manages 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.

The Fund monitors the level of monthly applications and redemptions relative to the liquid assets in the Fund. The Fund's investment objective is to produce a high level of growth return whilst carefully managing risk.

Under the terms of the Fund's constitution, the RE has the discretion to reject an application to the Fund, if the exercise of such discretion is in the best interests of Fund investors.

**NOTE 5. Financial assets held at fair value through profit or loss**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Designated at fair value through profit or loss upon initial recognition</b>		
Securities listed on Australian Securities Exchange (ASX)	10,813,544	2,061,664
	<u>10,813,544</u>	<u>2,061,664</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 10.

**NOTE 6. Receivables**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Reduced input tax credits	928	2,312
Dividends receivable	9,606	-
Interest receivable	3,108	476
Receivable from Investment Manager	-	26,224
Prepaid set up fees	5,866	5,867
	<u>19,508</u>	<u>34,879</u>

**NOTE 7. Payables**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Management fee payable	4,652	-
Responsible Entity fees payable	-	3,208
Administration fees payable	-	8,745
Custodian fees payable	-	7,903
Other	-	825
	<u>4,652</u>	<u>20,681</u>

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 8. Cash flow information**

**a. Reconciliation of cash and cash equivalents**

For the purposes of the Statement of cash flows, cash / (borrowings) is comprised as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash balance comprises:		
Cash at bank	234,536	1,211,135
Total cash and cash equivalents	<u>234,536</u>	<u>1,211,135</u>

**b. Reconciliation of net operating profit to cash flows from operating activities**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Net operating profit	214,421	49,813
Change in fair value of financial instruments	69,766	3,420
Changes in assets and liabilities:		
Increase in receivables	15,371	(34,879)
Increase in payables	(16,029)	20,681
Net cash provided by operating activities	<u>283,529</u>	<u>39,035</u>

**c. Non cash financing activities**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Reinvestment of unit holder distributions	<u>117,847</u>	<u>4,477</u>

**NOTE 9. Related Party Disclosures**

**a. Management fees and performance fees**

At the date of this report, Quay Fund Services Limited (ACN 616 465 671) is the RE of the Fund. Transactions with the RE have taken place on normal commercial terms and conditions.

Arminius Capital Management Pty Ltd (ABN 82 165 509 928) is the Investment Manager ("the IM") of the Fund. Transactions with the IM have taken place on normal commercial terms and conditions

Under the terms of the Fund Constitution, the management fees and expenses comprise of the management fees payable to the Responsible Entity and the Investment Manager as well as the expenses of the Fund such as costs associated with custody and administration of the Fund, costs associated with the provision of legal and tax services for the Fund and any incidental expenses.

In accordance with the Fund's Product Disclosure Statement management costs are capped at 0.5% per annum of the net asset value of the Fund, accruing weekly and payable in arrears. Where actual expenses result in the management costs exceeding 0.5% of the net asset value of the Fund for the year, such expenses will be paid out of the assets of the Fund and the difference reimbursed back to the Fund by the Investment Manager or these costs may be paid by the Investment Manager personally. The costs are inclusive of GST and net of any applicable input tax credits and reduced input tax credit.

During the year the Investment Manager reimbursed \$Nil (2017: \$64,776) to the Fund, of which \$Nil (2017:\$26,224) are still receivable from the Investment Manager at year end. All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at the end of the year between the Fund and the Responsible Entity / the Investment Manager are as follows:

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 9. Related Party Disclosures (cont'd)**

**a. Management fees (cont'd)**

**30 June 2018**

	<b>Management costs</b>	<b>Management costs Reimbursement</b>	<b>Net management costs</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Management costs incurred by the Fund during the year	42,564	-	42,564

**30 June 2017**

	<b>Management costs</b>	<b>Management costs Reimbursement</b>	<b>Net management costs</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Management costs incurred by the Fund during the year	72,512	64,776	7,736

**b. Key Management Personnel**

The names of the directors of the RE, Evolution Trustees Limited, who held office during the year were:

Rupert Clive Smoker  
Alexander James Calder  
David Roko Grbin  
David Lom (*alternate director for Rupert Smoker*)

On 13<sup>th</sup> July 2018, Evolution Trustees Limited retired as the Fund's RE and was replaced by Quay Fund Services Limited.

At the date of this report the directors of Quay Fund Services Limited are:

William John Ballhausen  
Simon Angus Lindsay  
Oliver John Morgan

Except for the IM, there were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel are paid by the RE and/or the IM. Payments made from the Fund to the RE do not include any amounts attributable to the compensation of key management personnel.

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.

There are no post-employment benefits paid to a director or key management personnel of the Responsible Entity.

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

**NOTE 10. Financial Risk Management**

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk and arise from the financial instruments it holds or issues.



**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 10. Financial Risk Management (cont'd)**

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and investment mandate and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the Investment Manager.

The Investment Manager considers the risk profile of the Fund to be low to medium risk.

During the financial year, the Fund's investments included listed investment-grade fixed-income securities. Compliance with the Fund's investment mandate is reported to the Board on a quarterly basis.

**(i) Price risk**

The Fund is exposed to securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the Statement of Financial Position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The IM mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits.

These market risks include changes in a company's internal operations or management, global economic factors and also relate to changes in taxation policy, monetary policy, interest rates and statutory requirements.

The sensitivity analysis is based on a generic approach using +/- 10% to provide a benchmark for demonstrating sensitivity to changes in various risk parameters.

At 30 June 2018, had the underlying market value of the investments moved, as illustrated in the table below, with all other variables held constant, the profit from operating activities and net assets attributable to unitholders would have been affected as follows:

	<b>Impact on operating profit Higher/(Lower) 30 June 2018</b>	<b>Net assets attributable to unitholders Higher/(Lower) 30 June 2018</b>	<b>Impact on operating profit Higher/(Lower) 30 June 2017</b>	<b>Net assets attributable to unitholders Higher/(Lower) 30 June 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Portfolio Value + 10%	1,081,354	1,081,354	206,166	206,166
Portfolio Value - 10%	(1,081,354)	(1,081,354)	(206,166)	(206,166)

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 10. Financial Risk Management (cont'd)**

**(ii) Interest rate risk**

The Fund's interest bearing financial instruments expose it to risks associated with the effect of fluctuations in the prevailing level of market interest rates on its financial position and cash flows.

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities, is as follows:

	<b>Weighted Average Effective Interest 2018 %</b>	<b>Floating Interest Rate 2018 \$</b>	<b>Fixed Interest Rate 2018 \$</b>	<b>Non Interest Bearing 2018 \$</b>	<b>Total 2018 \$</b>
<b>Financial Assets:</b>					
Cash and cash equivalents	1.4%	234,536	-	-	234,536
Due from broker		-	-	154,203	154,203
Receivables		-	-	19,508	19,508
Financial assets at fair value through profit or loss	3.12%	10,813,544	-	-	10,813,544
<b>Total Financial Assets</b>		<b>11,048,080</b>	<b>-</b>	<b>173,711</b>	<b>11,221,791</b>

**Financial Liabilities  
(excluding unitholders)**

Payables	-	-	4,652	4,652
Distributions payable	-	-	123,031	123,031
Total Financial Liabilities	-	-	127,683	127,683
Net exposure	11,048,080	-	46,028	11,094,108

	<b>Weighted Average Effective Interest 2017 %</b>	<b>Floating Interest Rate 2017 \$</b>	<b>Fixed Interest Rate 2017 \$</b>	<b>Non Interest Bearing 2017 \$</b>	<b>Total 2017 \$</b>
<b>Financial Assets:</b>					
Cash and cash equivalents	1.4%	1,211,135	-	-	1,211,135
Receivables		-	-	34,879	34,879
Financial assets at fair value through profit or loss	3.12%	2,061,664	-	-	2,061,664
<b>Total Financial Assets</b>		<b>3,272,799</b>	<b>-</b>	<b>34,879</b>	<b>3,307,678</b>

**Financial Liabilities  
(excluding unitholders)**

Payables	-	-	20,681	20,681
Distributions payable	-	-	43,302	43,302
Total Financial Liabilities	-	-	63,983	63,983
Net exposure	3,272,799	-	(29,104)	3,243,695

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 10. Financial Risk Management (cont'd)**

**(ii) Interest rate risk (cont'd)**

The following table demonstrates the sensitivity of the Fund's profit / (loss) for the year to a reasonably possible change in interest rates, with all other variables held constant. The sensitivity of the profit / (loss) for the year is the effect of the assumed changes in interest rates on the net interest income/expense for one year, based on the floating rate financial assets and liabilities:

	<b>Impact on operating profit Higher/(Lower) 2018 \$</b>	<b>Net assets attributable to unitholders Higher/(Lower) 2018 \$</b>	<b>Impact on operating profit Higher/(Lower) 2017 \$</b>	<b>Net assets attributable to unitholders Higher/(Lower) 2017 \$</b>
Interest rates +0.5%	55,240	55,240	16,364	16,364
Interest rates -0.5%	(55,240)	(55,240)	(16,364)	(16,364)

**(iii) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Fund's investments in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

All financial liabilities have a maturity term within three months, other than net assets attributable to unitholders described below.

The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining a pool of cash and liquid assets to satisfy usual levels of redemptions. The Fund's policy is to hold the majority of its assets in listed investment-grade fixed-income securities and cash. The IM considers the Fund's holdings of fixed income securities can be realized as cash within ten days in the normal course of trading.

The minimum withdrawal is \$1,000 per request.

Proceeds of a properly completed request for withdrawal received by 3:00 pm Melbourne time on a Friday that is a business day are usually paid within 10 business days after the withdrawal is processed but may take longer in some circumstances (up to 21 days).

In certain circumstances, such as a freeze on withdrawals or where the Fund is illiquid (as defined in the Corporations Act), the investor may have to wait a longer period of time before the investor can redeem the investment. Redemptions can be delayed for such period as considered reasonable in all circumstances if:

- there are not enough investments which can easily be turned into cash
- something outside Australian Fiduciaries Limited's control impacts on our ability to properly or fairly calculate the unit price or

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 10. Financial Risk Management (cont'd)**

**(iii) Liquidity risk (cont'd)**

The table below summarises the maturity profile of the Fund's financial liabilities, gross-settled derivatives and redeemable shares based on contractual undiscounted cash flows.

<b>Maturity Analysis 2018</b>	<b>Less than 3 months \$</b>	<b>3 months to 1 year \$</b>	<b>More than 1 year \$</b>	<b>Total \$</b>
Payables	4,652	-	-	4,652
Distributions payable	123,031	-	-	123,031
Net assets attributable to unitholders	11,094,108	-	-	11,094,108
	<b>11,221,791</b>	<b>-</b>	<b>-</b>	<b>11,221,791</b>

<b>Maturity Analysis 2017</b>	<b>Less than 3 months \$</b>	<b>3 months to 1 year \$</b>	<b>More than 1 year \$</b>	<b>Total \$</b>
Payables	20,681	-	-	20,681
Distributions payable	43,302	-	-	43,302
Net assets attributable to unitholders	3,243,695	-	-	3,243,695
	<b>3,307,678</b>	<b>-</b>	<b>-</b>	<b>3,307,678</b>

**(v) Credit risk**

The Fund's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired. The Fund enters into financial instruments with reputable counterparties (e.g. brokers, custodian and banks).

The Fund held investments only in listed exchange traded funds and investment-grade fixed-income securities. As at June 30, 2018 the credit ratings of these securities based on Standard and Poor's were as follows:

<b>Ratings 2018</b>	<b>\$</b>
A+	323,763
AA-	1,183,320
BA1	257,331
BB+	2,082,496
BBB	1,408,930
BBB-	606,006
BBB+	1,101,978
Unrated	3,849,720
	<b>10,813,544</b>

Notes to the Financial Statements  
For the year ended 30 June 2018

NOTE 10. Financial Risk Management (cont'd)

(v) Credit risk (cont'd)

Ratings	\$
2017	
AA-	691,932
A+	236,017
BBB+	674,751
BBB	343,573
Unrated	115,391
	<b>2,061,664</b>

The carrying amount of financial assets approximates fair value as at the reporting date.

(vi) Fair value measurement

Financial instruments carried at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arms-length basis.

Level 2: Valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Fund's own data, reflecting the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at the balance date, recorded at fair value by level of the fair value hierarchy:

2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Financial assets at fair value through profit and loss</i>				
Listed exchange traded funds and investment-grade fixed-income securities	10,813,544	-	-	10,813,544
Total	10,813,544	-	-	10,813,544

**Arminius Capital EMMA Fund - ARSN 614 074 449**

**Notes to the Financial Statements  
For the year ended 30 June 2018**

**NOTE 10. Financial Risk Management (cont'd)**

**(vi) Fair value measurement (cont'd)**

<b>2017</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<i>Financial assets at fair value through profit and loss</i>				
Listed exchange traded funds and investment-grade fixed-income securities	2,061,664	-	-	2,061,664
Total	2,061,664	-	-	2,061,664

There were no movements between levels during the year.

**NOTE 11. Contingencies**

There were no contingent liabilities or assets or commitments at 30 June 2018.

**NOTE 12. Remuneration of the auditor**

The costs of auditing the financial statements are paid directly by the Investment Manager. Auditors Remuneration (excluding GST) for the financial year ended 30 June 2018 was \$8,000 (2017: \$8000). As at 30 June 2018, the audit fees payable were \$8,000 (2017: \$8,000).

**NOTE 13. Events subsequent to balance date**

Effective 13<sup>th</sup> July 2018 a new RE Quay Fund Services Limited – ACN 616 465 671 was appointed and the old RE Evolution Trustees Limited ACN 611 839 519 retired.

At the date of this report the directors of the RE, Quay Fund Services Limited are:

William John Ballhausen  
Simon Angus Lindsay  
Oliver John Morgan

There has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Fund's operations in future financial periods, the results of those operations or the Fund's state of affairs in future financial periods.

**DIRECTORS' DECLARATION**  
**FOR THE YEAR ENDED 30 JUNE 2018**  
**ARMINIUS CAPITAL EMMA FUND**

In accordance with the resolution of the Directors of Quay Fund Services Limited, in the opinion of the Directors:

- (i) The financial statements and notes, as set out in pages 5 to 22 are 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 2018 and of its performance for the year ended on that date; and
  - b) complying with Accounting Standards and the Corporations Regulations 2001; and other mandatory professional reporting requirements.
- (ii) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.
- (iii) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Gindray', with a long horizontal flourish extending from the end.

Director

Dated 30 October 2018

Sydney

# Independent Auditor's Report

## To the Unitholders of Arminius Capital EMMA Fund

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Arminius Capital EMMA Fund (the Scheme), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Scheme is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Scheme's financial position as at 30 June 2018 and of its 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 for the Audit of the Financial Report* section of our report. We are independent of the Scheme in accordance with 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 comprises the information included in the Scheme's annual report for the year ended 30 June 2018, but does not include the financial report and our 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 of the Responsible Entity for the financial report

The Directors of the Responsible Entity of the Scheme 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*. The Directors' responsibility also includes 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 of Responsible Entity are responsible for assessing the Scheme's ability 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 Scheme or to cease operations, or have no realistic alternative but to do so.

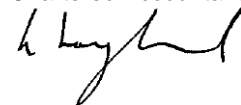
### Auditor's responsibilities for the audit of the financial report

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.

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/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



G S Layland  
Director – Audit & Assurance

Sydney, 30 October 2018