

**AMP CAPITAL BLUE CHIP FUND**

**ARSN 089 596 994**

**DIRECTORS' REPORT AND FINANCIAL REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**AMP Capital Funds Management Limited  
33 Alfred Street,  
Sydney, NSW 2000  
ACN 159 557 721**

**AMP CAPITAL BLUE CHIP FUND**

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## AMP CAPITAL BLUE CHIP FUND

### DIRECTORS' REPORT

The Directors of AMP Capital Funds Management Limited (ABN 15 159 557 721), the "Responsible Entity" of the AMP Capital Blue Chip Fund (the "Scheme"), present their report together with the Financial Report of the Scheme for the financial year ended 30 June 2017.

#### Directors

The Directors of the Responsible Entity during the financial year and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

Adam M. Tindall	Executive Director	
P. Margaret Payn	Executive Director	
Douglas P. Talbot	Executive Director	Resigned 28 July 2017
Edwina Maloney	Executive Director	Resigned 28 July 2017
Patrick John Nesbitt	Non-executive Director	Appointed 28 July 2017
Ming Long	Non-executive Director	Appointed 28 July 2017
Peter Joseph Seymour Rowe	Non-executive Director	Appointed 28 July 2017

#### Scheme Information

AMP Capital Blue Chip Fund is an Australian Registered Scheme. AMP Capital Funds Management Limited, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at 33 Alfred Street, Sydney, NSW 2000.

#### Principal Activity

The principal activity of the Scheme is the investment of unitholders' funds in accordance with the Scheme mandate. There has been no significant change in the nature of this activity during the financial year.

#### Review of Results and Operations

The Scheme derived a net profit attributable to unitholders after tax expense and before finance costs of \$6,754,507 for the financial year ended 30 June 2017 (30 June 2016: net loss of \$3,011,923).

#### Distributions

Distributions to unitholders by the Scheme for the financial year ended 30 June 2017 were \$4,317,071 (30 June 2016: \$1,951,244).

#### Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Scheme during the financial year ended 30 June 2017.

#### Significant Events After the Balance Date

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Scheme, the results of its operations or its state of affairs, which is not already reflected in this Financial Report.

#### Likely Developments and Expected Results

The investment strategy of the Scheme will be maintained in accordance with the Scheme Constitution. Currently, there are no significant developments expected in respect of the Scheme. The performance of the Scheme in the future will be subject to movements in the underlying investment markets over time.

#### Environmental Regulation and Performance

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

#### Relevant Information

Following is a list of relevant information required under the Corporations Act:

- Fees paid to the Responsible Entity - refer to Note 7 to the Financial Statements
- Units held by the Responsible Entity in the Scheme - refer to Note 7 to the Financial Statements
- Units issued in the Scheme during the financial year - refer to Note 5 to the Financial Statements
- Units withdrawn from the Scheme during the financial year - refer to Note 5 to the Financial Statements
- The value of the Scheme's assets and basis of valuation - refer to the Statement of Financial Position and Note 1 respectively
- The number of units in the Scheme as at 30 June 2017 - refer to Note 5 to the Financial Statements
- Distributions payable to unitholders at the balance date - refer to the Statement of Financial Position

These notes have been presented in accordance with ASIC Corporations (Directors' Report Relief) Instrument 2016/188.

## AMP CAPITAL BLUE CHIP FUND

### DIRECTORS' REPORT (Continued)

#### Indemnification and Insurance of Directors and Officers

Under its Constitution, AMP Capital Funds Management Limited (the "company") indemnifies, to the extent permitted by law, all officers of the company, (including the Directors), for any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as an officer of the company.

This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee unless approved by the Board of AMP Limited. During or since the end of the financial year, no such indemnities have been provided.

During the financial year, AMP Limited agreed to insure all the officers of the company against certain liabilities as permitted by the Corporations Act. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

AMP Group Holdings Limited ("AMPGH") has entered into a deed of indemnity and access with each Director and secretary of the company. Each deed of indemnity and access provides that:

- These officers will have access to the books of the company for their period of office and for ten (and in certain cases, seven) years after they cease to hold office (subject to certain conditions); and
- AMPGH agrees to indemnify the officer, to the extent permitted by law, against any liability incurred by the officer in his or her capacity as a Director or secretary of the company and of other AMP group companies.

#### Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors:



Director

18 September 2017, Sydney

## Auditor's Independence Declaration to the Directors of AMP Capital Funds Management Limited

As lead auditor for the audit of AMP Capital Blue Chip Fund for the financial year ended 30 June 2017, 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



Clare Sporle  
Engagement Partner  
Sydney  
18 September 2017

**AMP CAPITAL BLUE CHIP FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Notes	30 June 2017 \$	30 June 2016 \$
<b>INVESTMENT INCOME</b>			
Dividends		2,839,356	3,373,830
Distributions		173,054	383,767
Interest income		76,948	80,651
Net changes in the fair value of financial instruments measured at fair value through profit or loss		5,551,033	(4,941,143)
Securities lending income		4,317	-
Other income		6,331	6,870
<b>Total investment income/(loss)</b>		<u>8,651,039</u>	<u>(1,096,025)</u>
<b>EXPENSES</b>			
Responsible entity fees	7(c)	(1,748,141)	(1,798,728)
Transaction costs		(144,253)	(114,410)
Securities lending fees - agent		(1,327)	-
Securities lending fees - service provider	7(c)	<u>(443)</u>	<u>-</u>
<b>Total expenses</b>		<u>(1,894,164)</u>	<u>(1,913,138)</u>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE TAX EXPENSE AND FINANCE COSTS</b>			
		6,756,875	(3,009,163)
Stamp duty		(9)	-
Withholding tax expense		<u>(2,359)</u>	<u>(2,760)</u>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER TAX EXPENSE AND BEFORE FINANCE COSTS</b>			
		6,754,507	(3,011,923)
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		(4,317,071)	(1,951,244)
(Increase)/decrease in net assets attributable to unitholders		<u>(2,437,436)</u>	<u>4,963,167</u>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER TAX EXPENSE AND FINANCE COSTS</b>			
		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<u><u>-</u></u>	<u><u>-</u></u>

**AMP CAPITAL BLUE CHIP FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	Notes	30 June 2017 \$	30 June 2016 \$
<b>ASSETS</b>			
Cash and cash equivalents		4,595,726	5,697,494
Receivables	3	3,265,627	828,698
Financial assets measured at fair value through profit or loss			
Listed securities		72,344,625	72,899,146
Listed securities on loan		<u>3,469,475</u>	<u>2,745,083</u>
<b>TOTAL ASSETS</b>		<u><u>83,675,453</u></u>	<u><u>82,170,421</u></u>
<b>LIABILITIES</b>			
Payables	4	2,496,561	577,092
Distributions payable		<u>3,661,558</u>	<u>1,011,721</u>
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><u>6,158,119</u></u>	<u><u>1,588,813</u></u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><u>77,517,334</u></u>	<u><u>80,581,608</u></u>

**AMP CAPITAL BLUE CHIP FUND**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	80,581,608	79,457,368
Applications	1,600,108	3,751,253
Distributions reinvested	1,497,720	12,753,189
Redemptions	<u>(8,599,538)</u>	<u>(10,417,035)</u>
	75,079,898	85,544,775
Increase/(decrease) in net assets attributable to unitholders	<u>2,437,436</u>	<u>(4,963,167)</u>
<b>Balance at the end of the financial year</b>	<u><u>77,517,334</u></u>	<u><u>80,581,608</u></u>



**AMP CAPITAL BLUE CHIP FUND**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Notes	30 June 2017 \$	30 June 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sales of financial instruments measured at fair value through profit or loss		72,628,450	79,761,514
Payments for purchases of financial instruments measured at fair value through profit or loss		(67,902,157)	(69,673,570)
Dividends received		2,871,141	3,205,511
Distributions received		275,032	494,118
Interest income received		76,948	80,651
GST received/(paid)		(1,534)	10,192
Securities lending income received		4,317	-
Other income received		6,331	6,870
Responsible entity fees paid		(1,747,485)	(1,880,690)
Stamp duty paid		(9)	-
Withholding tax paid		(2,359)	(2,760)
Transaction costs paid		(139,729)	(114,210)
Securities lending fees paid - agent		(1,327)	-
Securities lending fees paid - service provider		(443)	-
<b>Net cash inflow/(outflow) from operating activities</b>	6(a)	6,067,176	11,887,626
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from applications by unitholders		1,600,108	3,751,253
Payments for redemptions by unitholders		(8,599,538)	(10,417,035)
Distributions paid		(169,514)	(1,721,424)
<b>Net cash inflow/(outflow) from financing activities</b>		(7,168,944)	(8,387,206)
<b>Net increase/(decrease) in cash and cash equivalents held</b>		(1,101,768)	3,500,420
Cash and cash equivalents at the beginning of the financial year		5,697,494	2,197,074
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR*</b>		4,595,726	5,697,494

\* Cash and cash equivalents include highly liquid investments in unlisted cash trusts. Further details disclosed in Note 1(g) Cash and Cash Equivalents and Note 7(b)(i) Related party holdings of the Scheme.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

**(a) Basis of Preparation**

This general purpose Financial Report has been prepared in accordance with the Scheme Constitution and with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act. The Scheme is a for-profit entity for the purposes of preparing Financial Statements. The Financial Report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The assets and liabilities are measured on a fair value basis, except where otherwise stated.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Scheme's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for net assets attributable to unitholders, for which given the nature of the Scheme, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

*Changes in Australian Accounting Standards*

The Scheme has adopted all mandatory standards and amendments for the financial year beginning 1 July 2016. Adoption of these standards and amendments has not had any effect on the financial position or performance of the Scheme.

*Australian Accounting Standards issued but not yet effective*

Standards and amendments that have recently been issued or amended but are not yet effective have not been adopted for the financial year ended 30 June 2017. When applied in future periods, these recently issued or amended standards are not expected to have an impact on the Scheme's financial position or performance or the presentation and disclosures in the Financial Report, except where described below:

**AASB 9 "Financial Instruments" (effective from 1 January 2018)**

This standard addresses the classification, measurement, derecognition and impairment of financial assets and financial liabilities. The Scheme is currently assessing the impact of adopting this standard, which is not expected to have a significant impact on the Scheme's financial position or performance; however, it may impact the presentation and disclosures in the Financial Report.

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

This standard makes significant changes to revenue recognition and adds some additional disclosures. The new standard provides a five-step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The Scheme's main sources of revenue are dividends, distributions, interest income and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, it is not expected that this standard will have an impact on the Scheme's financial position or performance, or the presentation and disclosures in the Financial Report.

**(b) Financial Assets Measured at Fair Value Through Profit or Loss**

Financial assets measured at fair value through profit or loss have been classified as held for trading as they are part of a portfolio which is managed for short-term gains. Financial assets are initially recognised at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

*Listed securities*

Listed securities include investments in listed managed investment funds, shareholdings in listed companies and subordinated notes. The fair value of listed securities is the "bid" price of those securities, as quoted on their primary exchange at the balance date.

Certain listed securities are on loan, as part of a securities lending program that the Scheme participates in. Listed securities of the Scheme may be lent to approved borrowers, such as brokers and other financial institutions. The borrower lodges collateral against the securities lent either in the form of cash or approved securities.

During the term of the loan, the Scheme remains entitled to all dividends, distributions and interest income and retains all voting rights in respect of the loaned securities. Securities lent may be recalled and are required to be returned within the normal settlement periods applicable to the securities.

The listed securities continue to be recognised in the Statement of Financial Position as the contractual rights to cash flows and the ability to dispose of the securities are retained by the Scheme.

The fair value of the loaned securities remains the "bid" price of those securities as quoted on their primary exchange at the balance date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Significant Accounting Judgements, Estimates and Assumptions**

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

*Fair value measurement of investments in financial instruments*

The majority of the Scheme's investments are financial instruments held for trading and are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(b).

**(d) Investment Income**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

*Dividend income*

Dividends are recognised as income on the date the share is quoted ex-dividend with any related foreign withholding tax recognised as a tax expense.

*Distribution income*

Distributions from listed managed investment funds are recognised as income on the date the unit is quoted ex-distribution with any related foreign withholding tax recognised as a tax expense.

*Interest income*

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

*Securities lending income*

Securities lending income as part of a securities lending program that the Scheme participates in is recognised on an accrual basis with any related expenses recognised as security lending fees.

*Net changes in the fair value of financial instruments measured at fair value through profit or loss*

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

**(e) Expenses**

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

**(f) Recognition and Derecognition of Financial Assets and Liabilities**

Financial assets and financial liabilities are recognised at the date the Scheme becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(g) Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments such as investments in unlisted cash trusts (including related party holdings - refer to Note 7(b)(i)), which are readily convertible to cash on hand at the Responsible Entity's option and which the Responsible Entity uses in its day to day management of the Scheme's cash requirements.

**(h) Receivables**

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Scheme will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

## AMP CAPITAL BLUE CHIP FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(i) Payables**

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Scheme. Payables are measured at their nominal amounts. Amounts are generally paid within 30 days of being recognised as payables. Given the short-term nature of most payables, their nominal amounts approximate their fair value.

**(j) Net Assets Attributable to Unitholders**

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Net assets attributable to unitholders are classified as financial liabilities and not as equity because the Responsible Entity has a contractual obligation to pay distributable income of the Scheme to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Scheme Constitution). As there are no equityholders, total comprehensive income attributable to unitholders and equity for the Scheme is nil. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if unitholders exercised their right to redeem their units. The Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders.

**(k) Taxation**

Under current legislation, the Scheme is not liable to pay income tax since, under the terms of the Scheme Constitution, the unitholders are presently entitled to the income of the Scheme.

The Scheme currently incurs withholding tax imposed by certain countries on investment income. Such income is recognised gross of withholding tax in the Statement of Comprehensive Income and the withholding tax is recognised as a tax expense.

**(l) Distributable Income**

In accordance with the Scheme Constitution, the Scheme fully distributes its distributable income to unitholders each tax year. Such distributions are determined by reference to the taxable income of the Scheme. Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses arising from net changes in the fair value of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

**(m) Foreign Currency Transactions**

*(i) Functional and presentation currency*

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Scheme, is the Australian dollar.

*(ii) Transactions and balances*

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

**(n) Unit Classes**

The Scheme contains multiple unit classes reflecting the different servicing requirements of various unitholders. Due to the additional services required by some unitholder classes, different management fees apply to different unit classes. These fees are detailed in the Product Disclosure Statement of the Scheme.

**AMP CAPITAL BLUE CHIP FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Terms and Conditions of Units on Issue**

Issued and paid up units are initially recognised at the fair value of the consideration received by the Scheme.

Each unit, within a unit class, confers upon the unitholder an equal interest in the Scheme (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Scheme.

Unitholders have various rights under the Scheme Constitution and the Corporations Act, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- receive income distributions
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to each unitholder class are identical in all respects other than the minimum investment requirements and/or fee structures applicable to each class.

Applications received for units in the Scheme are recognised net of any transaction costs arising on the issue of units in the Scheme. Redemptions from the Scheme are recognised gross of any transaction costs payable after the cancellation of units redeemed. Unit entry and exit prices are determined in accordance with the Scheme Constitution.

**(p) Goods and Services Tax ("GST")**

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financial activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

**AMP CAPITAL BLUE CHIP FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

<b>30 June 2017</b>	<b>30 June 2016</b>
<b>\$</b>	<b>\$</b>

**NOTE 2: AUDITOR'S REMUNERATION**

Amounts paid or payable to Ernst & Young, the auditor of the Scheme, for:

Audit and review of the Financial Statements of the Scheme	14,560	14,180
Other services - audit of compliance plan	1,410	1,280
	<u>15,970</u>	<u>15,460</u>

Auditor's remuneration for the financial year ended 30 June 2017 has been paid by AMP Capital Funds Management Limited (30 June 2016: AMP Capital Funds Management Limited).

**NOTE 3: RECEIVABLES**

Dividends receivable	506,819	538,604
Distributions receivable	30,570	169,685
Outstanding settlements receivable	2,693,390	87,095
GST receivable	34,848	33,314
	<u>3,265,627</u>	<u>828,698</u>

**NOTE 4: PAYABLES**

Responsible entity fees payable	433,820	433,164
Transaction costs payable	4,724	200
Outstanding settlements payable	2,058,017	143,728
	<u>2,496,561</u>	<u>577,092</u>

<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Units</b>	<b>Units</b>

**NOTE 5: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

The movement in the number of units on issue during the financial year was as follows:

**Units on Issue**

Opening balance	52,919,923	49,327,123
Applications	983,628	3,195,170
Distributions reinvested	950,732	7,896,942
Redemptions	(5,328,818)	(7,499,312)
Closing balance	<u>49,525,465</u>	<u>52,919,923</u>

**Represented by:**

**On-Platform A Class**

Opening balance	144,034	186,447
Redemptions	(56,326)	(42,413)
Closing balance	<u>87,708</u>	<u>144,034</u>

**Retail Class**

Opening balance	52,775,889	49,140,676
Applications	983,628	3,195,170
Distributions reinvested	950,732	7,896,942
Redemptions	(5,272,492)	(7,456,899)
Closing balance	<u>49,437,757</u>	<u>52,775,889</u>

**AMP CAPITAL BLUE CHIP FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**30 June 2017**                      **30 June 2016**  
**\$**    **\$**

**NOTE 6: CASH AND CASH EQUIVALENTS**

**(a) Reconciliation of net profit/(loss) attributable to unitholders after tax expense and before finance costs to net cash inflow/(outflow) from operating activities**

Net profit/(loss) attributable to unitholders after tax expense and before finance costs	6,754,507	(3,011,923)
Proceeds from sales of financial instruments measured at fair value through profit or loss	72,628,450	79,761,514
Payments for purchases of financial instruments measured at fair value through profit or loss	(67,902,157)	(69,673,570)
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(5,551,033)	4,941,143
Investment income reinvested	(37,137)	(21,357)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	169,366	(26,419)
Increase/(decrease) in payables	5,180	(81,762)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6,067,176</b>	<b>11,887,626</b>

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

Non-cash financing and operating activities carried out during the financial year on normal commercial terms and conditions comprised:

Reinvestment of unitholder distributions	1,497,720	12,753,189
Participation in reinvestment plans	37,137	21,357

**NOTE 7: RELATED PARTY DISCLOSURES**

**(a) General Information**

The Responsible Entity of the Scheme is AMP Capital Funds Management Limited, a subsidiary of AMP Limited.

**(b) Investments**

**(i) Related party holdings of the Scheme**

Details of the Scheme's holdings in related parties, including entities in the same group as the Responsible Entity and other Schemes managed by the Responsible Entity, are set out below:

	<b>Fair value</b>		<b>Interest held</b>		<b>Distributions/interest received or receivable during the financial year</b>	
	<b>\$</b>		<b>%</b>		<b>\$</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
AMP Capital Managed						
Cash Fund	4,588,562	5,697,494	0.06	0.09	76,477	80,165
AMP Limited	1,775,834	-	0.01	-	-	107,751

## AMP CAPITAL BLUE CHIP FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

#### NOTE 7: RELATED PARTY DISCLOSURES (Continued)

##### (c) Transactions with the Responsible Entity

All transactions between the Scheme and related parties have been at market value on normal commercial terms and conditions. This includes purchases and sales of financial instruments as well as applications and redemptions of units.

In accordance with the Scheme Constitution, the Responsible Entity is entitled to receive fees for the provision of services to the Scheme and to be reimbursed for certain expenditure incurred in the administration of the Scheme.

	30 June 2017	30 June 2016
	\$	\$
Responsible entity fees expensed during the financial year	1,748,141	1,798,728

During the financial year the Responsible Entity incurred certain expenses on behalf of the Scheme. It is the Responsible Entity's intention not to seek reimbursement of these expenses from the Scheme.

During the financial year the Scheme paid securities lending fees of \$443 (2016: nil) to the service provider, AMP Capital investors Limited, a related party of the Scheme.

##### (d) Key Management Personnel

AASB 124 "Related Party Disclosures" defines key management personnel ("KMP") as including all Non-Executive Directors, Executive Directors and any other persons having authority or responsibility for planning, directing and controlling the activities of the Scheme. The Scheme has no direct employees, however the Directors of the Responsible Entity have been deemed to be Directors of the Scheme. These individuals comprise the KMP of the Scheme.

Remuneration paid to the Responsible Entity is detailed in Note 7(c) above. No Director of the Responsible Entity was paid any remuneration by the Scheme during the financial year. Compensation paid to these Directors by the Responsible Entity, or related entities of the Responsible Entity, is not related to services they render to the individual schemes.

#### NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks arising from holding financial instruments are inherent in the Scheme's activities, and are managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of the Scheme comprise investments in financial assets and liabilities measured at fair value through profit or loss, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as receivables and payables, which arise directly from the Scheme's operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments. The Scheme is exposed to credit risk, liquidity risk and market risk.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures for the financial year is provided below. Where the Scheme has material risk exposures, risk sensitivity analysis is presented for illustrative purposes. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Scheme, as well as the level of risk that the Scheme is willing to accept.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including Risk and Investment Committees and other key management.

As part of its risk management strategy, the Scheme may use derivatives to manage certain risk exposures.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

To avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels.

The Responsible Entity's objectives when managing capital are to safeguard the Scheme's ability to continue as a going concern, so it can continue to provide returns to unitholders and to maintain an optimal capital structure. To maintain or adjust the capital structure, the Responsible Entity may reinvest distributions. The Scheme does not have any externally imposed capital requirements.

##### (a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations under a contract.

The Scheme's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the maximum exposure at the balance date.

In relation to investments in equity securities and managed investment funds, the credit risk associated with these financial instruments is minimised by undertaking transactions with counterparties on recognised exchanges, and ensuring that, where possible, transactions are undertaken with a number of counterparties to avoid a concentration of credit risk.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

**NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(a) Credit risk (continued)**

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk is not considered to be significant to the Scheme. Receivables balances are monitored on an ongoing basis. The Scheme's exposure to bad debts is not significant.

**Listed securities on loan**

Certain listed securities are on loan as part of a securities lending program that the Scheme participates in, as recognised in the Statement of Financial Position. As at 30 June 2017, the total value of the listed securities on loan are fully collateralised and are held by the Scheme's custodian, BNP Paribas Fund Services Australasia. Listed securities of the Scheme may be lent to approved borrowers, such as brokers and other financial institutions. The borrower lodges collateral against the securities lent either in the form of cash or approved securities.

The risks of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate the risks associated with securities lending, the Scheme has been provided with borrower default indemnities by BNP Paribas Securities Services, acting as the Securities Lending Agent. The indemnity allows for full replacement of securities lent in the case of a borrower default.

**(b) Liquidity risk**

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities as and when they fall due.

The Scheme manages its liquidity risk by monitoring application and redemption requests to ensure sufficient liquidity is available; investing in financial instruments which under normal market conditions are readily convertible to cash; and maintaining sufficient cash and cash equivalents to meet normal operating requirements.

**Maturity analysis for financial liabilities**

Financial liabilities of the Scheme comprise trade and other payables, distributions payable and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are payable on demand, however the Responsible Entity has the power under the Scheme Constitution to amend the timing of redemption payments.

**(c) Market risk**

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Australian Accounting Standards require the disclosure of sensitivity to changes in market risk variables such as interest rates, foreign exchange rates and equity prices. This sensitivity is not intended to show the impact on the Scheme's financial performance for the entire period, just an illustrative example of the direct impact of a change in the value of the financial instruments measured at the balance date as a result of the change in market rate. The sensitivity is required to show the impact of a reasonably possible change in market rate over the period to the subsequent balance date. It is not intended to illustrate a remote, worst case or stress test scenario.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will affect future cash flows or the fair values of financial instruments. As the Scheme has no directly held interest bearing securities at the balance date, interest rate risk sensitivity has not been presented.

**Foreign exchange risk**

Foreign exchange risk is the risk that the value of monetary securities denominated in currencies other than the Australian dollar will fluctuate due to changes in foreign exchange rates. The risk is measured using sensitivity analysis.

As the Scheme has no direct exposure to monetary securities denominated in currencies other than the Australian dollar, foreign exchange risk sensitivity has not been presented.

AMP CAPITAL BLUE CHIP FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

Price risk

Price risk is the risk that the fair value of equity securities, equity derivatives and managed investment funds decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual equity securities or managed investment funds or factors affecting all financial instruments in the market. Price risk exposure arises from the Scheme's investment portfolio. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates.

Price risk is managed by monitoring compliance with established investment mandate limits.

All securities 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 table below demonstrates the impact of a 10% movement in the price of units in equity securities, equity derivatives and managed investment funds. This sensitivity analysis has been performed to assess the direct risk of holding equity securities, equity derivatives and managed investment funds with all other variables held constant. It is assumed that the relevant change occurs at the balance date.

	Price Risk	
	-10%	+10%
	\$	\$
30 June 2017	(7,581,410)	7,581,410
30 June 2016	(7,564,423)	7,564,423

(d) Fair value measurement

Financial assets and liabilities measured 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 asset or liability'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 Scheme's own data, reflecting the Scheme'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 table below shows the Scheme's financial assets and liabilities measured at fair value on a recurring basis by each level of the fair value hierarchy. The Scheme did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 30 June 2017 (30 June 2016: nil).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 June 2017</b>				
Listed securities	72,344,625	-	-	72,344,625
Listed securities on loan	3,469,475	-	-	3,469,475
Total	<u>75,814,100</u>	<u>-</u>	<u>-</u>	<u>75,814,100</u>
<b>30 June 2016</b>				
Listed securities	72,899,146	-	-	72,899,146
Listed securities on loan	2,745,083	-	-	2,745,083
Total	<u>75,644,229</u>	<u>-</u>	<u>-</u>	<u>75,644,229</u>

The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year ended 30 June 2017 (financial year ended 30 June 2016: nil).

**AMP CAPITAL BLUE CHIP FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(d) Fair value measurement (continued)**

**Valuation techniques**

The valuation techniques and inputs used in measuring the fair value of financial assets and liabilities are outlined in Note 1(b).

There were no material changes in valuation techniques during the financial year.

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

The Scheme had no commitments or contingencies at 30 June 2017 (30 June 2016: nil).

**NOTE 10: EVENTS OCCURRING AFTER THE BALANCE DATE**

Since 30 June 2017 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Scheme.

**NOTE 11: AUTHORISATION OF THE FINANCIAL REPORT**

The Financial Report of the AMP Capital Blue Chip Fund for the financial year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Funds Management Limited on 18 September 2017.

**AMP CAPITAL BLUE CHIP FUND**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of AMP Capital Funds Management Limited, the Responsible Entity, I state that for the purpose of section 295(4) of the Corporations Act, in the opinion of the Directors of the Responsible Entity:

- (a) The Financial Statements and notes are in accordance with the Corporations Act, including section 296 (compliance with accounting standards) and section 297 (true and fair view);
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- (c) The Financial Statements and notes comply with International Financial Reporting Standards applicable to annual reporting as disclosed in Note 1(a).



Director

18 September 2017, Sydney

## Independent auditor's report to the unitholders of AMP Capital Blue Chip Fund

### Opinion

We have audited the financial report of AMP Capital Blue Chip Fund (the "Scheme"), which comprises the statement of financial position as at 30 June 2017, 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 AMP Capital Blue Chip Fund 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 2017 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 for the Audit of the Financial Report* section of our report. We are independent of the Scheme 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 AMP Capital Funds Management Limited as the Responsible Entity of the Scheme (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.

## Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity 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 of the Responsible Entity are responsible for assessing the Scheme'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 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.

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.
- ▶ 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 Scheme'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 Scheme to cease to continue as a going concern.
- ▶ 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 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



Clare Sporle  
Engagement Partner  
Sydney  
18 September 2017