

# **Australian Unity Wholesale Cash Fund**

ARSN 111 933 361

## **Annual financial report for the year ended 30 June 2018**

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<b>Contents</b>	<b>Page</b>
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	25
Independent auditor's report to the unitholders of Australian Unity Wholesale Cash Fund	26

## Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Wholesale Cash Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2018.

### Directors

The following persons were directors of the Responsible Entity during the whole of the year and up to the date of this report (unless otherwise stated):

Rohan Mead, Chairman and Group Managing Director  
David Bryant, Chief Executive Officer, Wealth & Capital Markets and Chief Investments Officer  
Esther Kerr-Smith, Group Executive Finance & Strategy (appointed 23 October 2017)  
Kevin McCoy, Chief Executive Officer, Independent & Assisted Living (resigned 27 November 2017)

### Principal activities

The Scheme aims to provide investors with regular stable income through investing in cash and short term fixed interest securities.

### Review and results of operations

For the year ended 30 June 2018 the Scheme posted a total return of 1.86%.\*

Unit prices (ex distribution) as at 30 June 2018 (2017) are as follows:

Wholesale units \$1.0000 (\$1.0000)\*

\* The reported performance numbers and reported unit prices (which are not audited) have been derived based on the declared unit prices calculated in accordance with the Responsible Entity's unit pricing policy and are not based on the net assets of these IFRS compliant financial statements. Return calculations assume reinvestment of distributions.

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

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Profit before finance costs for the year	<u><b>13,649</b></u>	<u>17,059</u>
<i>Distributions</i>		
Distributions paid and payable	<u><b>13,698</b></u>	<u>16,954</u>

### Significant changes in the state of affairs

The Scheme has amended its constitution as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

The Scheme has satisfied the eligibility for AMIT and has been operated as an AMIT effective 1 July 2017. The AMIT regime enacted under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 (Cth)* has changed the way to which the net taxable income of a trust is allocated to its unitholders. Where a trust is an AMIT, responsible entities and trustees are required to attribute the trust's net taxable income to unitholders on a fair and reasonable basis in accordance with the tax law, taking into account the unitholders entitlement to distributable income.

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

### Events occurring after end of the year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the operations of the Scheme, the results of operations, or the state of the Scheme's affairs in future reporting periods, except those mentioned elsewhere in the report.

### Likely developments and expected results of operations

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

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

## Directors' report (continued)

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Unity Funds Management Limited or the auditors of the Scheme. So long as the officers of Australian Unity Funds Management Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

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

Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in Note 11 to the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in Note 11 to the financial statements.

### Units in the Scheme

The movement in units on issue in the Scheme during the year are disclosed in Note 6 to the financial statements.

The value of the Scheme's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

### Environmental regulation

The Scheme operations are not subject to environmental regulations under Australian law.

### Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars, where indicated.

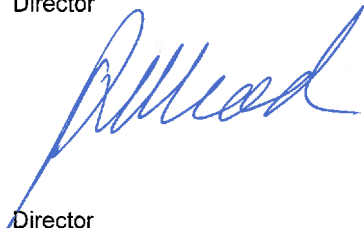
### Auditor's Independence Declaration

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 directors of Australian Unity Funds Management Limited.



Director



Director

20 September 2018



## *Auditor's Independence Declaration*

As lead auditor for the audit of Australian Unity Wholesale Cash 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.

A handwritten signature in blue ink, appearing to read 'George Sagonas', is written over a faint, light blue grid background.

George Sagonas  
Partner  
PricewaterhouseCoopers

Melbourne  
20 September 2018

**Statement of comprehensive income**

	Notes	2018 \$'000	2017 \$'000
<b>Investment income</b>			
Interest income	3	14,360	17,471
Net gains on financial instruments held at fair value through profit or loss	4	1,698	1,902
Other income		-	1
<b>Total investment income</b>		<u>16,058</u>	<u>19,374</u>
<b>Expenses</b>			
Responsible Entity's fees	11	<u>2,409</u>	<u>2,315</u>
<b>Total expenses</b>		<u>2,409</u>	<u>2,315</u>
<b>Profit before finance costs for the year</b>		<u>13,649</u>	<u>17,059</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	7	-	(16,954)
Increase in net assets attributable to unitholders	6	-	(105)
<b>Profit/(loss) for the year</b>		<u>13,649</u>	<u>-</u>
Other comprehensive income		-	-
<b>Total comprehensive income attributable to unitholders</b>		<u>13,649</u>	<u>-</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Statement of financial position**

	Notes	2018 \$'000	2017 \$'000
<b>Assets</b>			
Cash and cash equivalents	8	142,215	120,733
Receivables		627	6,476
Financial assets held at fair value through profit or loss	9	<u>614,377</u>	<u>528,391</u>
<b>Total assets</b>		<u>757,219</u>	<u>655,600</u>
<b>Liabilities</b>			
Distributions payable	7	1,199	1,307
Payables		<u>5,218</u>	<u>200</u>
<b>Total liabilities (30 June 2017: excluding net assets attributable to unitholders)</b>		<u>6,417</u>	<u>1,507</u>
<b>Net assets attributable to unitholders - liability*</b>	6	<u>-</u>	<u>654,093</u>
<b>Net assets attributable to unitholders - equity*</b>	6	<u>750,802</u>	<u>-</u>

\*Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to note 1 for further detail.

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Australian Unity Wholesale Cash Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2018**

**Statement of changes in equity**

	2018 \$'000	2017 \$'000
<b>Balance at the beginning of the year*</b>	-	-
Reclassification due to AMIT tax regime implementation*	<b>654,093</b>	-
<b>Comprehensive income for the year</b>		
Profit/(loss) for the year	<b>13,649</b>	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>13,649</b>	-
<b>Transactions with unitholders</b>		
Applications	<b>2,919,345</b>	-
Redemptions	<b>(2,835,181)</b>	-
Units issued upon re-investment of distributions	<b>12,594</b>	-
Distributions paid and payable	<b>(13,698)</b>	-
<b>Total transactions with unitholders</b>	<b>83,060</b>	-
<b>Balance at the end of the year*</b>	<b>750,802</b>	-

\* Effective from 1 July 2017, the Scheme's units have been reclassified from financial liability to equity. Refer note 1 and note 6 for further detail. As a result, statement of changes in equity has been disclosed for the year ended 30 June 2018 (2017: statement of changes in net assets attributable to unitholders - liability). The prior year comparative in note 6 shows units as a financial liability.

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*



**Australian Unity Wholesale Cash Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

**Statement of cash flows**

	Notes	2018 \$'000	2017 \$'000
<b><i>Cash flows from operating activities</i></b>			
Sale of financial instruments held at fair value through profit or loss		1,644,413	1,528,971
Purchase of financial instruments held at fair value through profit or loss		(1,717,652)	(1,394,249)
Interest received		14,168	17,391
GST received		127	133
Other income received		-	1
Responsible Entity's fees paid		<u>(2,526)</u>	<u>(2,437)</u>
<b>Net cash (outflow)/inflow from operating activities</b>	12	<u>(61,470)</u>	<u>149,810</u>
 <b><i>Cash flows from financing activities</i></b>			
Proceeds from applications by unitholders		2,919,345	2,013,467
Payments for redemptions by unitholders		(2,835,181)	(2,108,842)
Distributions paid to unitholders		<u>(1,212)</u>	<u>(1,868)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>82,952</u>	<u>(97,243)</u>
 <b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		<u>120,733</u>	<u>68,166</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>142,215</u>	<u>120,733</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## Notes to the financial statements

	<b>Page</b>	
1	General information	10
2	Summary of significant accounting policies	10
3	Interest Income	15
4	Net gains/(losses) on financial instruments held at fair value through profit or loss	15
5	Auditor's remuneration	15
6	Net assets attributable to unitholders	15
7	Distributions to unitholders	16
8	Cash and cash equivalents	17
9	Financial assets held at fair value through profit or loss	17
10	Financial risk management	17
11	Related party transactions	23
12	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	24
13	Events occurring after end of year	24
14	Contingent assets and liabilities and commitments	24

## 1 General information

These financial statements cover Australian Unity Wholesale Cash Fund ("the Scheme") as an individual entity. The Scheme was constituted on 25 October 2004 and will terminate on the 80th anniversary or earlier in accordance with the Scheme's Constitution.

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 60 071 497 115) ("the Responsible Entity"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 14, 114 Albert Road, South Melbourne, VIC 3205.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the financial year 1 July 2017 to 30 June 2018.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Scheme to elect into the AMIT tax regime, the Scheme's Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Scheme have been reclassified from a financial liability to equity on 1 July 2017, see note 6 for further information.

The financial statements were authorised for issue by the directors of the Responsible Entity on 20 September 2018. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Where appropriate, comparatives have been reclassified to enhance comparability with current year disclosures.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

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

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders where the amount expected to be recovered or settled within 12 months after the end of the year cannot be reliably determined.

#### (i) Compliance with Australian Accounting Standards and International Financial Reporting Standards

The financial statements of the Scheme comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

These financial statements are presented in the local currency being Australian dollars.

#### (ii) Amended standards adopted by the Scheme

There are no new accounting standard amendments and interpretations that became mandatory for the first time for the year that were relevant to the Scheme.

### (b) Financial instruments

#### (i) Classification

- *Financial assets and liabilities held at fair value through profit or loss*

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

- *Financial assets and liabilities designated at fair value through profit or loss upon initial recognition*

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These may include investments in exchange traded debt instruments.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (i) Classification (continued)

##### - Financial assets and liabilities designated at fair value through profit or loss upon initial recognition (continued)

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The information on the fair value basis is provided internally to the Scheme's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

##### • Loans and receivables/payables

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short-term receivables/payables.

#### (ii) Recognition/derecognition

The Scheme 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.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Scheme retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Scheme has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gains or losses arising from derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the year the asset is derecognised as realised gains or losses on financial instruments.

#### (iii) Measurement

##### • Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities 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 and financial liabilities held at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

##### • Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Scheme's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equities to listed unit trusts, where applicable.

##### • Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is the market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

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

### **(b) Financial instruments (continued)**

#### *(iii) Measurement (continued)*

- *Fair value in an inactive or unquoted market (continued)*

For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Scheme recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

The Scheme's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments, ranging from investments in unlisted unit trusts, unlisted equity and/or debt securities to over the counter derivatives, where applicable.

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when and only when, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at the end of the year, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

### **(c) Net assets attributable to unitholders**

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

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

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Scheme. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Scheme, and it is not a contract settled in the Schemes own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2017, net assets attributable to unitholders are classified as a financial liability. Effective from 1 July 2017, the Scheme's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

### **(d) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

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

### **(e) Investment income**

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

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the year and the fair value at the previous valuation point. Net gains/(losses) do not include interest, dividend or distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

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

### **(f) Expenses**

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accrual basis.

### **(g) Income tax**

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

### **(h) Distributions**

The Scheme distributes its distributable income, in accordance with the Scheme's Constitution, to unitholders by cash or reinvestment. Where the Scheme's units are classified as liabilities, the distributions are recognised in profit or loss as finance costs attributable to unitholders. Where the Scheme's units are classified as equity, distributions are recognised in the statement of changes in equity as transactions with unitholders.

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

Income not distributed is included in net assets attributable to unitholders. Where the Scheme's units are classified as liabilities, movements in net assets attributable to unitholders are recognised in profit or loss as finance costs.

### **(j) Functional and presentation currency**

Balances included in the Scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

### **(k) Receivables**

Receivables may include amounts for dividends, interest, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established (ex-date). Interest is accrued at the end of each year from the time of last payment in accordance with the policy set out in Note 2(e) above.

Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

### **(l) Payables**

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the year.

Trades are recorded on trade date and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each year are included in payables.

The distribution amount payable to unitholders at the end of each year is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Scheme's Constitution.

### **(m) Applications and redemptions**

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined in accordance with the Scheme's Constitution by reference to the net assets of the Scheme divided by the number of units on issue.

### **(n) Goods and services tax (GST)**

Expenses of various services provided to the Scheme by third parties such as custodial services and investment management fees etc. are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the related expense or cost item.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **(o) Use of judgement and estimates**

The preparation of the Scheme's financial statements requires it to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. However, estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 2 Summary of significant accounting policies (continued)

### (o) Use of judgement and estimates (continued)

The Scheme's financial instruments are valued primarily based on the prices provided by independent pricing services.

When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgements and assumptions in establishing fair values.

Where appropriate, the outcomes of the valuation techniques that are used in establishing fair values are validated using prices from observable current market transactions for similar instruments (without modification or repackaging) or based on relevant available observable market data.

The determination of what constitutes 'observable' requires significant judgement by the Scheme. The Scheme considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

In addition, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (p) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not yet been applied in the financial statements. The Responsible Entity's assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

#### *i) AASB 9 Financial Instruments (and applicable amendments) (effective 1 January 2018)*

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now also introduced revised rules for hedge accounting and impairment. The Standard is effective at 1 January 2018 but is available for early adoption. The Scheme does not expect this to have a significant impact on the recognition and measurement of the Scheme's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements and the Scheme does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Scheme's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Scheme. The Scheme will apply AASB 9 in its financial statements for the year commencing 1 July 2018.

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

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts from 1 January 2018. AASB 15 is based on the notion that revenue is recognised when control of a good or service transfers to a customer. This notion of control replaces the existing notion of risks and rewards. The Scheme's main source of income includes interest, dividends/distributions and gains on financial instruments held at fair value through profit or loss. All of these are outside the scope of the Revenue standard. Consequently, the Scheme does not expect AASB 15 to have a significant impact on the Scheme's financial statements. The Scheme will apply AASB 15 in its financial statements for the year commencing 1 July 2018.

#### *iii) AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 (effective 1 January 2018)*

AASB 2016-3 amends AASB 15 *Revenue from Contracts with Customers* to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. It also provides further practical expedients on transition to AASB 15. No significant impact is expected upon adoption of the amendments. The Scheme will apply AASB 2016-3 in its financial statements for the year commencing 1 July 2018.

### (q) Structured entities

The Scheme has assessed whether the funds in which it invests should be classified as structured entities. The Scheme has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Scheme has also considered whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Scheme has concluded that the funds in which it invests in are not structured entities.

### (r) Rounding of amounts

The Scheme is an entity of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, where indicated.

### 3 Interest income

	2018 \$'000	2017 \$'000
Fixed interest securities	10,355	10,659
Cash and deposits	4,005	6,812
<b>Total interest income</b>	<b>14,360</b>	17,471

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

	2018 \$'000	2017 \$'000
Net unrealised gain on financial assets designated at fair value through profit or loss	1,795	1,439
Net realised (loss)/gain on financial assets designated at fair value through profit or loss	(97)	463
<b>Total net gains on financial instruments held at fair value through profit or loss</b>	<b>1,698</b>	1,902

### 5 Auditor's remuneration

The auditor's remuneration is paid directly by the Responsible Entity.

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

	2018 \$	2017 \$
<b>Audit services - PricewaterhouseCoopers</b>		
Audit and review of financial statements	14,935	16,500
<b>Taxation services - Ernst &amp; Young</b>		
Tax compliance services	5,520	5,160

### 6 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Scheme shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017 the Scheme classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. The Scheme has amended its constitution as part of a process to become eligible to elect into the AMIT tax regime. The Scheme has satisfied the eligibility for AMIT and has been operated as an AMIT effective 1 July 2017. The AMIT regime enacted under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 (Cth)* has changed the way to which the net taxable income of a trust is allocated to its unitholders. The Scheme no longer has a contractual obligation to pay distributions to unitholders. Therefore the net assets attributable to unitholders of the Scheme meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Scheme's distributions are no longer classified as finance cost in the statement of comprehensive income, but rather as distributions paid in the statement of changes in equity.



## 6 Net assets attributable to unitholders (continued)

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	2018 No. '000	2017 No. '000	2018 \$'000	2017 \$'000
<b>Opening balance</b>	<b>654,176</b>	777,785	<b>654,093</b>	777,597
Applications	<b>2,919,345</b>	2,013,467	<b>2,919,345</b>	2,013,467
Redemptions	<b>(2,835,181)</b>	(2,152,012)	<b>(2,835,181)</b>	(2,152,012)
Units issued upon re-investment of distributions	<b>12,594</b>	14,936	<b>12,594</b>	14,936
Distributions to unitholders	-	-	<b>(13,698)</b>	(16,954)
Profit/(loss) for the year	-	-	<b>13,649</b>	17,059
<b>Closing Balance*</b>	<b>750,934</b>	654,176	<b>750,802</b>	654,093

\*Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to note 1 for further details.

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right in the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Scheme.

Units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

### Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability until 30 June 2017. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption.

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

## 7 Distributions to unitholders

The distributions for the year were as follows:

	2018 \$'000	2018 CPU	2017 \$'000	2017 CPU
<b>Distributions</b>				
31 July	<b>1,244</b>	<b>0.1943</b>	1,799	0.2268
31 August	<b>977</b>	<b>0.1551</b>	2,019	0.2497
30 September	<b>915</b>	<b>0.1587</b>	1,347	0.1728
31 October	<b>943</b>	<b>0.1750</b>	1,273	0.1679
30 November	<b>1,037</b>	<b>0.1367</b>	1,095	0.1477
31 December	<b>1,232</b>	<b>0.1411</b>	1,175	0.1618
31 January	<b>1,329</b>	<b>0.1599</b>	1,511	0.2052
28 February	<b>1,092</b>	<b>0.1346</b>	1,373	0.1898
31 March	<b>776</b>	<b>0.0944</b>	1,527	0.2033
30 April	<b>1,591</b>	<b>0.1869</b>	1,142	0.1530
31 May	<b>1,363</b>	<b>0.1638</b>	1,386	0.1773
30 June (payable)	<b>1,199</b>	<b>0.1454</b>	1,307	0.1639
<b>Total distributions</b>	<b>13,698</b>		16,954	

## 8 Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash at bank	140,215	85,733
Term deposit	<u>2,000</u>	<u>35,000</u>
<b>Total cash and cash equivalents</b>	<b><u>142,215</u></b>	<b><u>120,733</u></b>

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

	2018 \$'000	2017 \$'000
<i>Designated at fair value through profit or loss</i>		
Fixed interest bonds	6,989	-
Floating rate notes	215,940	123,997
Discount securities	<u>391,448</u>	<u>404,394</u>
<b>Total financial assets held at fair value through profit or loss</b>	<b><u>614,377</u></b>	<b><u>528,391</u></b>

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

## 10 Financial risk management

### (a) Objectives, strategies, policies and processes

The Scheme's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's disclosure documents and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Responsible Entity ("the Board").

The Scheme uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

As part of its risk management strategy, the Scheme may use derivatives and other investments, including bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks and exposures arising from forecast transactions.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look through basis for investments held in the Scheme.

The sensitivity of the Scheme's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Scheme's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

The overall market exposures at year end were as follows:

	2018 \$'000	2017 \$'000
Securities designated at fair value through profit or loss	<u>614,377</u>	<u>528,391</u>
	<b><u>614,377</u></b>	<b><u>528,391</u></b>

## 10 Financial risk management (continued)

### (b) Market risk (continued)

#### (i) Price risk

There is no significant direct price risk in the Scheme as at 30 June 2018 (2017: Nil).

#### (ii) Foreign exchange risk

There was no significant direct foreign exchange risk in the Scheme as at 30 June 2018 (2017: Nil).

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Scheme has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Scheme may use derivatives to hedge against unexpected increases in interest rates and/or multiple rollover dates for debt instruments to manage repricing risk. The interest rate risk is measured using sensitivity analysis.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's overall interest sensitivity on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

The Scheme has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain entities in which the Scheme invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Scheme's net assets attributable to unitholders of future movements in interest rates.

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's assets and liabilities at fair values, categorised by the maturity dates:

2018	Floating interest rate \$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<b>Assets</b>							
Cash and cash equivalents	59,299	82,916	-	-	-	-	142,215
Receivables	-	-	-	-	-	627	627
Financial assets held at fair value through profit or loss							
<i>Designated at fair value through profit or loss</i>							
Fixed interest bonds	-	-	6,989	-	-	-	6,989
Discount securities	-	225,466	165,982	-	-	-	391,448
Floating rate notes	215,940	-	-	-	-	-	215,940
<b>Total assets</b>	<u>275,239</u>	<u>308,382</u>	<u>172,971</u>	<u>-</u>	<u>-</u>	<u>627</u>	<u>757,219</u>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	1,199	1,199
Payables	-	-	-	-	-	5,218	5,218
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,417</u>	<u>6,417</u>
<b>Net assets attributable to unitholders</b>	<u>275,239</u>	<u>308,382</u>	<u>172,971</u>	<u>-</u>	<u>-</u>	<u>(5,790)</u>	<u>750,802</u>

## 10 Financial risk management (continued)

### (b) Market risk (continued)

#### (iii) Interest rate risk (continued)

2017	Floating interest rate \$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<b>Assets</b>							
Cash and cash equivalents	42,865	77,868	-	-	-	-	120,733
Receivables	-	-	-	-	-	6,476	6,476
Financial assets held at fair value through profit or loss							
<i>Designated at fair value through profit or loss</i>							
Discount securities	-	265,087	139,307	-	-	-	404,394
Floating rate notes	<u>123,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,997</u>
<b>Total assets</b>	<u>166,862</u>	<u>342,955</u>	<u>139,307</u>	<u>-</u>	<u>-</u>	<u>6,476</u>	<u>655,600</u>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	1,307	1,307
Payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,507</u>	<u>1,507</u>
<b>Net assets attributable to unitholders</b>	<u>166,862</u>	<u>342,955</u>	<u>139,307</u>	<u>-</u>	<u>-</u>	<u>4,969</u>	<u>654,093</u>

Should interest rates have increased/(decreased) by the basis points indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	<b>Impact on net assets attributable to unitholders</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Interest rates +0.50% (2017: +0.50%)	<b>(212)</b>	<b>(270)</b>
Interest rates -0.50% (2017: -0.50%)	<b>212</b>	<b>270</b>

### (c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed 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 current maximum exposure at the end of the year.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase of the securities has been received by the broker. The trade will fail if either party fails to meet its obligations.

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.

Counterparty credit limits and the list of authorised brokers are reviewed by the relevant parties within the Responsible Entity on a regular basis as deemed appropriate.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's credit position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

## 10 Financial risk management (continued)

### (c) Credit risk (continued)

#### *Credit quality per class of instrument*

The credit quality of financial assets is managed by the Scheme using Standard & Poor's rating categories, in accordance with the investment mandate of the Scheme. The Scheme's exposure in each grade is monitored on a daily basis. This review process allows the Responsible Entity to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of assets:

	2018 \$'000	2017 \$'000
<b>Australian debt securities rating</b>		
AAA	4,054	-
AA+	70,696	19,956
AA-	120,451	81,642
A	184,556	229,718
A-	22,091	-
BBB	4,017	13,544
Other	208,512	183,531
<b>Total</b>	<b>614,377</b>	<b>528,391</b>

### (d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

The Scheme has disclosed the most significant counterparties by concentration of risk. "Other" represents multiple counterparties by concentration of risk which individually are of lesser significance.

Based on the concentrations of risk that are managed by industry sector and/or counterparty, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2018 and 30 June 2017:

	2018 \$'000	2017 \$'000
National Australia Bank	63,457	26,106
Commonwealth Bank of Australia	45,598	87,797
Westpac Banking Corporation	43,731	91,032
Bank of Queensland	42,767	70,655
Australia & New Zealand Banking Group	40,556	20,057
Bendigo and Adelaide Bank Limited	38,753	42,846
Illawarra Mutual Building Society	33,178	33,851
Members Equity Bank	31,467	59,755
AMP Limited	28,409	15,184
Heritage Bank Limited	20,209	8,974
Suncorp Group Limited	19,933	14,075
Royal Bank of Canada	18,039	-
Other	188,280	58,059
<b>Total</b>	<b>614,377</b>	<b>528,391</b>

### (e) 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 Scheme's investment in financial instruments which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme may be exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

## 10 Financial risk management (continued)

### (e) Liquidity risk (continued)

The Scheme may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Scheme may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the year.

The Scheme's policy is to hold a significant proportion of its investments in liquid assets.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholders option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's liquidity position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

### Maturity analysis for financial liabilities

The table below summarises the maturity profile of the Scheme's financial liabilities and redeemable units based on the remaining period at the end of the year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Under 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Over 12 months \$'000
<b>2018</b>				
<b>Financial liabilities:</b>				
Distributions payable	1,199	-	-	-
Payables	<u>5,218</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<u>6,417</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Under 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Over 12 months \$'000
<b>2017</b>				
<b>Financial liabilities:</b>				
Distributions payable	1,307	-	-	-
Payables	200	-	-	-
Net assets attributable to unitholders*	<u>654,093</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<u>655,600</u>	<u>-</u>	<u>-</u>	<u>-</u>

\*Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to note 1 for further detail.

As disclosed above, the Investment Manager manages the Scheme's liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents, discounted securities and floating rate notes. As at 30 June 2018, these assets amounted to \$749,603,583 (2017: \$649,123,668).

### (f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Scheme's financial assets and financial liabilities at the end of the year approximated their fair values.

The Scheme values its investments in accordance with the accounting policies set out in Note 2.

For the years ended 30 June 2018 and 30 June 2017, the Scheme did not include financial assets that were determined using valuation techniques. The fair values of the Scheme's financial assets for the years then ended were determined directly, in full or in part, by reference to quoted prices that were available from various sources, such as exchanges, dealers, brokers, industry groups and pricing services.

## 10 Financial risk management (continued)

### (g) Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
<i>Financial assets designated at fair value through profit or loss at inception:</i>				
Fixed interest bonds	-	6,989	-	6,989
Floating rate notes	-	215,940	-	215,940
Discount securities	-	391,448	-	391,448
<b>Total financial assets</b>	-	<b>614,377</b>	-	<b>614,377</b>
30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
<i>Financial assets designated at fair value through profit or loss at inception:</i>				
Floating rate notes	-	123,997	-	123,997
Discount securities	-	404,394	-	404,394
<b>Total financial assets</b>	-	<b>528,391</b>	-	<b>528,391</b>

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment grade corporate bonds and over the counter derivatives.

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the year (30 June 2017: Nil).

## 11 Related party transactions

### Responsible Entity

The Responsible Entity of Australian Unity Wholesale Cash Fund is Australian Unity Funds Management Limited (ABN 60 071 497 115) whose immediate and ultimate Parent Entity is Australian Unity Limited (ABN 23 087 648 888).

### Key management personnel

#### (a) Directors

Key management personnel include persons who were directors of Australian Unity Funds Management Limited at any time during the year as follows:

Rohan Mead, Chairman and Group Managing Director

David Bryant, Chief Executive Officer, Wealth & Capital Markets and Chief Investments Officer

Esther Kerr-Smith, Group Executive Finance & Strategy (appointed 23 October 2017)

Kevin McCoy, Chief Executive Officer, Independent & Assisted Living (resigned 27 November 2017)

#### (b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the year.

### Other transactions within the Scheme

From time to time directors of Australian Unity Funds Management Limited, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

### Responsible Entity's fees and other transactions

Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive Responsible Entity's fees, calculated by reference to the average daily gross assets (excluding net assets attributable to unitholders) of the Scheme.

Administration expenses incurred in the day to day running of the Scheme are reimbursed in accordance with the Scheme's Constitution.

The transactions during the year and amounts payable at year end between the Scheme and the Responsible Entity were as follows:

	2018	2017
	\$	\$
Responsible Entity's fees for the year paid by the Scheme to the Responsible Entity	<u>1,866,817</u>	<u>1,911,375</u>
Administration expenses (audit fees inclusive) incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	<u>541,722</u>	<u>403,942</u>
Aggregate amounts payable to the Responsible Entity at the end of the year	<u>217,756</u>	<u>200,012</u>

### Related party scheme's unitholdings

Parties related to the Scheme (including Australian Unity Funds Management Limited, its related parties and other schemes managed by Australian Unity Funds Management Limited) held units in the Scheme as follows:

2018 Unitholder	No. of units held opening	No. of units held closing	Fair value of investment \$*	Interest held %	No. of units acquired	No. of units disposed	Distributions paid/payable \$
Australian Unity Management Fund Taxed	34,853	156,120,530	156,120,530	20.79	197,048,677	(40,963,000)	2,229,140
Australian Unity Healthcare Property Trust Funding units	-	79,898,936	79,898,936	10.64	242,338,647	(162,439,711)	1,876,838
Australian Unity Trustees Ltd***	49,441,000	46,585,000	46,585,000	6.20	15,000,000	(17,856,000)	899,771
Australian Unity Health Liquid Assets	76,029,299	44,377,066	44,377,066	5.91	429,753,639	(461,405,872)	631,431
Lifepan Community Bond Fund	43,084,084	39,457,402	39,457,402	5.25	2,179,153	(5,805,835)	757,036
Australian Unity Capital Guaranteed Bond	73,085,573	38,313,011	38,313,011	5.10	2,034,678	(36,807,240)	1,268,478
Australian Unity Health Limited	63,669,754	15,409,069	15,409,069	2.05	38,792,058	(87,052,743)	285,218
Other Related Parties**	<u>301,179,051</u>	<u>318,462,902</u>	<u>318,462,902</u>	<u>42.41</u>	<u>1,888,862,290</u>	<u>(1,871,578,439)</u>	<u>5,238,079</u>
	<u>606,523,614</u>	<u>738,623,916</u>	<u>738,623,916</u>	<u>98.35</u>	<u>2,816,009,142</u>	<u>(2,683,908,840)</u>	<u>13,185,991</u>



## 11 Related party transactions (continued)

### Related party scheme's unitholdings (continued)

2017 Unitholder	No. of units held opening	No. of units held closing	Fair value of investment \$*	Interest held %	No. of units acquired	No. of units disposed	Distributions paid/payable \$
Australian Unity Health Liquid Assets	76,981,871	76,029,299	76,029,299	12.59	393,828,743	(394,781,315)	1,323,800
Australian Unity Capital Guaranteed Bond	83,929,483	73,085,573	73,085,573	12.11	4,009,223	(14,853,133)	1,740,510
Australian Unity Health Limited	69,292,531	63,669,754	63,669,754	10.55	33,921,439	(39,544,216)	1,822,116
Ftl Judge & Papaleo Pty Ltd***	89,708,000	49,441,000	49,441,000	7.56	-	(40,267,000)	1,612,557
Lifepan Community Bond Fund	46,925,991	43,084,084	43,084,084	7.14	4,151,213	(7,993,120)	1,004,751
Australian Unity Healthcare Property Trust	8,786,243	32,938,812	32,938,812	5.48	306,857,400	(282,704,831)	536,374
Lifepan Tax Minimiser Funeral Bond Fund	37,924,527	25,860,039	25,860,039	4.29	40,852,082	(52,916,570)	1,078,469
Australian Unity Healthcare Property Trust Class A	49,395,462	23,681,147	23,681,147	3.93	21,909,628	(47,623,943)	989,262
Other Related Parties**	<u>314,729,323</u>	<u>266,386,581</u>	<u>266,386,581</u>	<u>36.35</u>	<u>1,222,871,724</u>	<u>(1,271,214,466)</u>	<u>6,892,092</u>
	<u>777,673,431</u>	<u>654,176,289</u>	<u>654,176,289</u>	<u>100.00</u>	<u>2,028,401,452</u>	<u>(2,151,898,594)</u>	<u>16,999,931</u>

\* Fair value of investment includes accrued distribution at the end of the year.

\*\* Other related parties consists of investors with holdings of less than 5%. Effective from 31 October 2017, Grand United Health is no longer a related party unitholder due to the completion of its sale to nib holdings limited. The 2017 units held closing will not reconcile with 2018 units held opening as a result of this change.

\*\*\* Ftl Judge & Papaleo Pty Ltd's holding was transferred to Australian Unity Trustee Ltd during the year.

### Investments

The Scheme did not hold any investments in Australian Unity Funds Management Limited or its related parties during the year (2017: Nil).

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

	2018 \$'000	2017 \$'000
Profit/(loss) for the year	13,649	-
Increase in net assets attributable to unitholders	-	105
Distributions to unitholders	-	16,954
Sale of financial instruments held at fair value through profit or loss	1,644,413	1,528,971
Purchase of financial instruments held at fair value through profit or loss	(1,717,652)	(1,394,249)
Net gains on financial instruments held at fair value through profit or loss	(1,698)	(1,902)
Net change in receivables	(200)	(71)
Net change in payables	18	2
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(61,470)</u>	<u>149,810</u>

## 13 Events occurring after end of year

The directors of the Responsible Entity are not aware of any matter or circumstance arising since the end of the year which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2018 or on the results and cash flows of the Scheme for the year ended on that date.

## 14 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 5 to 24 are in accordance with the *Corporations Act 2001*; including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2018 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date; and
- (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.
- (c) The financial statements are in accordance with the Scheme's Constitution.
- (d) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director

20 September 2018



## *Independent auditor's report*

To the unitholders of Australian Unity Wholesale Cash Fund

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### *Our opinion*

In our opinion:

The accompanying financial report of Australian Unity Wholesale Cash Fund (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 financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### ***What we have audited***

The financial report comprises:

- the statement of financial position as at 30 June 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors of the Responsible Entity's declaration.

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

### ***Independence***

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.

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### *Other information*

The Directors of Australian Unity Funds Management Limited (the "Responsible Entity") are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 30 June 2018, including the directors' report, 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 identified above 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the 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 *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity 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 ability of the Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

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### *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 the 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.



*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report of Australian Unity Wholesale Cash Fund for the year ended 30 June 2018 included on Australian Unity's web site. The directors of the Responsible Entity of the Scheme are responsible for the integrity of Australian Unity's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'George Sagonas', with a horizontal line extending from the end.

George Sagonas  
Partner

Melbourne  
20 September 2018