

Australian Unity Pooled Mortgage Fund

ARSN 121 895 690

Annual report for the year ended 30 June 2022

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Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Pooled Mortgage Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2022.

Directors

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

Rohan Mead, Chairman and Group Managing Director
Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer

Principal activities

Prior to its termination, the principal activities of the Scheme was to provide investors with a regular income from a pool of high yielding loans secured by registered first mortgages over real property.

The Scheme gained its mortgage exposure by investing in the Australian Unity Select Income Fund (ARSN 091 886 789). The Scheme sold its investment in Australian Unity Select Income Fund on 14 June 2022.

Review and results of operations

Results

Unit price (ex distribution) as at 30 June 2022 (2021) is \$0.9668 (\$0.9668)*

*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.

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

	2022 \$	2021 \$
Profit for the year	<u>345,248</u>	<u>354,513</u>
Distributions paid and payable	<u>345,248</u>	<u>354,513</u>

Significant changes in the state of affairs

On 10 June 2022, the Responsible Entity issued a notice of termination of the Scheme. Consistent with the details stated in the Notice, the Scheme was terminated and all assets were sold. Final payment to unitholders was made on 15 July 2022.

Due to the termination of the Scheme, the directors have determined that the going concern basis of preparation is no longer appropriate. The financial statements of the Scheme for the year were prepared on a liquidation basis.

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 period.

Events occurring after end of the year

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs in the future years.

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 12 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 12 to the financial statements.

Units in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 5 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's operations are not subject to environmental regulations under Australian law.

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.



Rohan Mead
Director



Esther Kerr-Smith
Director

21 October 2022



Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Pooled Mortgage Fund for the year ended 30 June 2022, 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 'G. Sagonas', is positioned above the printed name.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
21 October 2022

Australian Unity Pooled Mortgage Fund
Statement of comprehensive income
For the year ended 30 June 2022

Statement of comprehensive income

	Notes	2022 \$	2021 \$
Income			
Interest income		-	10
Distribution income	3	270,361	411,684
Other income		111,750	-
Total income		382,111	411,694
Expenses			
Management costs	12	-	17,397
Other expenses		36,863	39,784
Total expenses		36,863	57,181
Profit for the year		345,248	354,513
Other comprehensive income		-	-
Total comprehensive income attributable to unitholders		345,248	354,513

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

Australian Unity Pooled Mortgage Fund
Statement of financial position
As at 30 June 2022

Statement of financial position

	Notes	2022 \$	2021 \$
Assets			
Cash and cash equivalents	6	6,858,869	194,368
Receivables	7	74,887	34,779
Financial assets held at fair value through profit or loss	8	-	6,761,384
Total assets		<u>6,933,756</u>	<u>6,990,531</u>
Liabilities			
Distributions payable		28,375	28,952
Payables	9	7	56,205
Total liabilities		<u>28,382</u>	<u>85,157</u>
Net assets attributable to unitholders - equity	5	<u>6,905,374</u>	<u>6,905,374</u>

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

Australian Unity Pooled Mortgage Fund
Statement of changes in equity
For the year ended 30 June 2022

Statement of changes in equity

	2022	2021
	\$	\$
Balance at the beginning of the year	6,905,374	7,105,374
Comprehensive income for the year		
Profit for the year	345,248	354,513
Other comprehensive income	-	-
Total comprehensive income	345,248	354,513
Transactions with unitholders		
Redemptions	-	(200,000)
Distributions paid and payable	(345,248)	(354,513)
Total transactions with unitholders	(345,248)	(554,513)
Balance at the end of the year	6,905,374	6,905,374

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

Australian Unity Pooled Mortgage Fund
Statement of cash flows
For the year ended 30 June 2022

Statement of cash flows

	Notes	2022 \$	2021 \$
<i>Cash flows from operating activities</i>			
Sale/(purchase) of financial assets held at fair value through profit or loss		6,761,384	199,995
Interest and fees received		-	10
Distributions received		302,483	406,944
Other income received		111,750	-
Management and other costs paid		(165,291)	(94,991)
Net cash inflow from operating activities	13	7,010,326	511,958
<i>Cash flows from financing activities</i>			
Payments for redemptions by unitholders		-	(200,000)
Distributions paid to unitholders		(345,825)	(353,059)
Net cash outflow from financing activities		(345,825)	(553,059)
Net decrease in cash and cash equivalents		6,664,501	(41,101)
Cash and cash equivalents at the beginning of the year		194,368	235,469
Cash and cash equivalents at the end of the year	6	6,858,869	194,368

There are no non-cash transactions for the year ended 30 June 2022 (2021: nil).

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

Notes to the financial statements

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1 General information

These financial statements cover Australian Unity Pooled Mortgage Fund ("the Scheme") as an individual entity. The Scheme was constituted on 21 September 2006.

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 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the year 1 July 2021 to 30 June 2022.

The financial statements were authorised for issue by the directors of the Responsible Entity on 21 October 2022. 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 the financial statements.

The directors do not regard the scheme as a going concern. As a consequence, the financial statements are not prepared on a going concern basis.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguish between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for financial assets held at fair value through profit or loss and mortgage loans, 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 AASB and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New accounting standards and amendments adopted by the Scheme

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(iii) New accounting standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2022 reporting period and have not been early adopted by the Scheme. None of these are expected to have material effect on the financial statements of the Scheme.

(b) Financial instruments

(i) Classification

The classification depends on the Scheme's business model for managing the financial instruments and the contractual terms of the relevant cash flows. The Scheme classifies its financial instruments into the following measurement categories:

- *Financial instruments designated at fair value through profit or loss*
The Scheme's investments are classified as held at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Classification (continued)

Financial assets and financial liabilities designated at fair value through profit or loss 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.

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These may include investments in listed trusts and other unlisted trusts.

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.

- *Amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met:

- (a) it is held within a business model which objective is to hold assets in order to collect contractual cash flows, and
- (b) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

This category includes mortgage loans and 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 expires. Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised as realised gains or losses on financial instruments.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

Financial assets and financial 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.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option via withdrawal facility offers by the Responsible Entity. The units can be put back to the Scheme for cash equal to a proportionate share of the Scheme's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the year if unitholders exercised their right to put the units back to the Scheme.

The Scheme classifies the net assets attributable to unitholders as equity as 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 instruments, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Scheme, and it is not a contract settled in the Scheme's 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.

(d) Cash and cash equivalents

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

(e) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Trust distributions (including distributions from cash management trusts) are recognised on an entitlements basis.

Net gains/(losses) on financial assets and 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 or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(f) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in statement of comprehensive income on an accruals 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.

2 Summary of significant accounting policies (continued)

(h) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

(i) Receivables

Receivables may include amounts for 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. 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).

(j) Payables

Payables include liabilities and accrued expenses owed by the Scheme which are unpaid as at the end of the reporting period. These payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost.

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 as 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.

Liabilities for trade creditors are carried at original invoice amount which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Scheme.

Payables to related parties are recognised and carried at the nominal amount due. They are carried at the nominal amount due to the short term nature of the payable. Interest is taken up as an expense on an accrual basis.

Provisions are recognised when the Scheme has a present obligation as a result of the past event and it is probable that the Scheme will be requested to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(k) 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.

(l) Goods and Services Tax (GST)

The statement of comprehensive income is shown exclusive of GST, unless the GST incurred (or part thereof) on expenses that are not recoverable. Expenses of various services provided to the Scheme by third parties, such as custodial services and investment management cost, may have non-recoverable GST components, as applicable. In these cases, the non-recoverable GST component is recognised as part of the particular expense in the statement of comprehensive income.

Accounts payable and receivable are stated inclusive of the GST receivable and payable, respectively. The net amount of GST recoverable, or payable, 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.

2 Summary of significant accounting policies (continued)

(m) Use of judgements 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.

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.

(n) Functional and presentation currency

Items included in the financial statements of each of the Scheme's operations are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Scheme's functional and presentation currency.

(o) 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.

3 Distribution income

	2022	2021
	\$	\$
Related unlisted managed investment schemes	<u>270,361</u>	<u>411,684</u>
	270,361	411,684

4 Auditor's remuneration

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

	2022	2021
	\$	\$
<i>Audit services - PwC</i>		
Audit and review of financial statements	11,000	11,000
Audit of compliance plan	4,630	3,157
	<u>15,630</u>	<u>14,157</u>
Total auditor's remuneration	<u>15,630</u>	<u>14,157</u>

5 Net assets attributable to unitholders

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

	2022	2021	2022	2021
	No. of Units	No. of Units	\$	\$
Contributed equity				
Opening balance	7,142,114	7,348,981	8,158,608	8,358,608
Redemptions	-	(206,867)	-	(200,000)
Closing balance	<u>7,142,114</u>	<u>7,142,114</u>	<u>8,158,608</u>	<u>8,158,608</u>
Undistributed income				
Opening balance			<u>(1,253,234)</u>	<u>(1,253,234)</u>
Closing balance			<u>(1,253,234)</u>	<u>(1,253,234)</u>
Total net assets attributable to unitholders			<u>6,905,374</u>	<u>6,905,374</u>

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 to the underlying assets of the Scheme.

Capital risk management

The Scheme is closed for applications and units are redeemable at the unitholders' option via capped withdrawal offers by the Responsible Entity.

6 Cash and cash equivalents

	2022	2021
	\$	\$
Cash at bank	6,858,869	151,577
Cash management trusts	-	42,791
	<u>6,858,869</u>	<u>194,368</u>

7 Receivables

	2022	2021
	\$	\$
Distributions receivable	4	32,126
GST receivables	3,887	2,653
Receivables from the Responsible Entity	70,996	-
	<u>74,887</u>	<u>34,779</u>

8 Financial assets held at fair value through profit or loss

	2022	2021
	\$	\$
Related unlisted managed investment scheme	-	6,761,384
Total financial assets held at fair value through profit or loss	<u>-</u>	<u>6,761,384</u>

An overview of the risk exposures and fair value measurements relating to financial assets and liabilities at fair value through profit or loss is included in note 12.

9 Payables

	2022	2021
	\$	\$
Accrued expenses	-	56,199
GST payables	7	6
	<u>7</u>	<u>56,205</u>

10 Financial risk management

(a) Objectives, strategies, policies and processes

The Scheme's activities expose it to a variety of financial risks: market risk (including price 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 the Investment Manager ("the 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 rates, other price risks, and ratings analysis for credit risk.

(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 two types of risk: price 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.

10 Financial risk management (continued)

(b) Market risk (continued)

The sensitivity of the Scheme's net assets attributable to unitholders (and profit before finance costs attributable to unitholders) to price 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 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.

As at 30 June 2022, the overall market exposures were as follows:

	2022	2021
	\$	\$
Financial assets held at fair value through profit or loss	-	6,761,384
	-	6,761,384

(i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment in securities. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

The Investment Manager mitigates this price risk through diversification and a careful selection of financial instruments within specified limits set by the Board. The Scheme currently invests only in Australian Unity Select Income Fund, a related managed investment scheme that is a contributory fund that invests primarily into first registered mortgage loans with a short duration.

The Scheme has exposures to price risk as shown in the table below. The table also demonstrates the sensitivity to reasonably possible changes in prices, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit and net assets attributable to unitholders, while a positive amount reflects a net potential increase. There is no impact on distributable earnings as they are net fair value movements only.

	2022	2021
	\$	\$
Assets		
Related unlisted managed investment scheme	-	6,761,384
Total exposure	-	6,761,384

	Impact on profit and net assets attributable to unitholders	
Sensitivity	2022	2021
	\$	\$
Securities prices + 13.30% (2021: + 13.60%)	-	919,548
Securities prices - 13.30% (2021: - 13.60%)	-	(919,548)

10 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk

There was no significant direct foreign exchange risk in the Scheme as at 30 June 2022 (2021: \$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.

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 compliance manager, other 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.

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:

2022	Floating interest rate \$	3 months or less \$	Fixed interest rate		Over 5 years \$	Non-interest bearing \$	Total \$
			3 to 12 months \$	1 to 5 years \$			
Assets							
Cash and cash equivalents	6,858,869	-	-	-	-	-	6,858,869
Receivables	-	-	-	-	-	74,887	74,887
Total assets	6,858,869	-	-	-	-	74,887	6,933,756
Liabilities							
Distribution payable	-	-	-	-	-	28,375	28,375
Payables	-	-	-	-	-	7	7
Total liabilities	-	-	-	-	-	28,382	28,382
Net assets attributable to unitholders	6,858,869	-	-	-	-	46,505	6,905,374
2021							
	Floating interest rate \$	3 months or less \$	Fixed interest rate		Over 5 years \$	Non-interest bearing \$	Total \$
			3 to 12 months \$	1 to 5 years \$			
Assets							
Cash and cash equivalents	194,368	-	-	-	-	-	194,368
Receivables	-	-	-	-	-	34,779	34,779
Financial assets held at fair value held through profit or loss	606,907	3,687,572	2,450,815	16,090	-	-	6,761,384
Total assets	801,275	3,687,572	2,450,815	16,090	-	34,779	6,990,531
Liabilities							
Distributions payable	-	-	-	-	-	28,952	28,952
Payables	-	-	-	-	-	56,205	56,205
Total liabilities	-	-	-	-	-	85,157	85,157
Net assets attributable to unitholders	801,275	3,687,572	2,450,815	16,090	-	(50,378)	6,905,374

10 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

At 30 June 2022, 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:

	2022		2021	
	Increased by 200 bps \$	Decreased by 200 bps \$	Increased by 60 bps \$	Decreased by 60 bps \$
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) for the year)	137,177	(137,177)	4,808	(4,808)

(iv) Prepayment risk

Prepayment risk is the risk that the Scheme may incur a reduced margin of earnings because its borrowers repay or request repayment earlier than expected. The Scheme manages prepayment risk by actively monitoring its borrowers. Due to the Scheme's largely short term mortgage book the likelihood of prepayment risk eventuating is reduced.

(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 mortgage loans, cash and cash equivalents, and deposits with banks and other financial institutions.

The Scheme did not hold direct mortgage loans as at 30 June 2022 and 30 June 2021.

(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 investment in Australian Unity Select Income Fund comprises the following as at 30 June 2022 and 30 June 2021:

	2022 \$	2021 \$
Cash fund	-	606,907
Syndicate loan - commercial - construction	-	43,911
Syndicate loan - residential - construction	-	6,110,566
Total	-	6,761,384

10 Financial risk management (continued)

(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 is exposed to the applicable withdrawal offer put in place by the Responsible Entity.

The Scheme may invest in investments in unlisted unit trusts that expose the Scheme to the risk that the Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Scheme.

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

Units are redeemed on demand at the unitholders option via withdrawal facility offers by the Responsible Entity. 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 and withdrawal offers are subject to limits set by the Responsible Entity.

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

10 Financial risk management (continued)

(e) Liquidity risk (continued)

Maturities analysis of financial liabilities

The table below analyses the Scheme's financial liabilities into relevant maturity groupings 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. Financial liabilities such as trade payables, where there are no specific contractual settlement dates, have been grouped into the 'less than 1 year' maturity grouping as such liabilities are typically settled within 30 days.

	Less than 1 year \$	1-2 years \$	2-3 years \$	3+ years \$
2022				
Distributions payable	28,375	-	-	-
Payables	7	-	-	-
Total financial liabilities	<u>28,382</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Less than 1 year \$	1-2 years \$	2-3 years \$	3+ years \$
2021				
Distributions payable	28,952	-	-	-
Payables	56,205	-	-	-
Total financial liabilities	<u>85,157</u>	<u>-</u>	<u>-</u>	<u>-</u>

As disclosed above, the Scheme manages its liquidity risk by investing in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents and listed property trusts. As at 30 June 2022, these assets amounted to \$6,858,869 (2021: \$194,368).

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

The carrying amounts of the Scheme's assets and liabilities at the end of each year approximate their fair values, other than certain mortgage loans whereby fair value has been assessed based on valuation techniques including discounted cash flows and capitalisation approaches.

The Scheme values its investments in accordance with the accounting policies set out in note 2(b).

For the reporting periods ended 30 June 2022 and 30 June 2021, the Scheme did not hold financial assets that were determined using valuation techniques. The fair values of the Scheme's assets held at fair value through profit or loss for the year then ended were determined directly, in full or in part, by reference to the estimated fair value of the cash funds and mortgage loans in Australian Unity Select Income Fund that are held by the Scheme.

11 Fair value hierarchy

The Scheme measures and recognises the financial assets/(liabilities) held at fair value through profit or loss and investment properties at fair value on a recurring basis.

(a) 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 that 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 carrying amounts of the Scheme's financial assets and financial liabilities at the end of each year approximate their fair values.

The fair value of mortgage loans that reprice within 12 months of reporting date is assumed to equate to the carrying value. The fair value of all other loans and advances are calculated using discounted cash flow models based on expectations of cash flows, contracts of sale and the maturity of the mortgage asset. The difference between estimated fair values of mortgage loans and carrying value reflects changes in interest rates since loan origination and credit worthiness of the borrower.

There is no fair value hierarchy as at 30 June 2022.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 30 June 2021.

2021	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Financial assets held at fair value through profit or loss</i>				
Related unlisted managed investment scheme	-	6,761,384	-	6,761,384
Total financial assets	-	6,761,384	-	6,761,384

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There are no transfers between levels 1, 2 and 3 for fair value measurements during the year (2021: \$nil).

12 Related party transactions

Responsible entity

The Responsible Entity of Australian Unity Pooled Mortgage 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 includes 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
 Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
 Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer

(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 unitholders and are immaterial in nature.

Responsible Entity's fees and other transactions

The Scheme's Constitution provides that the Responsible Entity will be paid out of the income or capital of the Scheme a fee not exceeding 1.375% (2021: 1.375%) per annum of the gross assets.

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 amount payable at year end between the Scheme and the Responsible Entity were as follows:

	2022	2021
	\$	\$
Management costs for the year paid/payable by the Scheme to the Responsible Entity	-	17,397
	-	17,397

12 Related party transactions (continued)

Related party 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:

2022

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 by the Scheme \$
Australian Unity Health Limited	1,426,613	1,426,613	1,379,249	19.97	-	-	68,962
Lifepan Australia Friendly Society Limited	518,697	518,697	501,476	7.26	-	-	25,074
Total	1,945,310	1,945,310	1,880,725	27.23	-	-	94,036

Unitholders	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 by the Scheme \$
Australian Unity Health Limited	1,520,260	1,426,613	1,379,249	19.97	-	(93,647)	73,277
Lifepan Australia Friendly Society Limited	172,681	518,697	501,476	7.26	380,065	(34,049)	22,125
Total	1,692,941	1,945,310	1,880,725	27.23	380,065	(127,696)	95,402

12 Related party transactions (continued)

Investments

The Scheme held investments in the following schemes which are also managed by Australian Unity Funds Management Limited or its related parties:

	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 received/receivable \$
2022							
Australian Unity Select Income Fund	6,761,384	-	-	0.00	-	6,761,384	270,357
Australian Unity Wholesale Cash Fund	42,791	-	-	0.00	-	42,791	4
	<u>6,804,175</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>6,804,175</u>	<u>270,361</u>
	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 received/receivable \$
2021							
Australian Unity Select Income Fund	6,961,379	6,761,384	6,761,384	2.30	5	(200,000)	411,663
Australian Unity Wholesale Cash Fund	42,764	42,791	42,791	0.01	27	-	21
	<u>7,004,143</u>	<u>6,804,175</u>	<u>6,804,175</u>		<u>32</u>	<u>(200,000)</u>	<u>411,684</u>

Distributions received/receivable includes an amount of \$4 (2021: \$32,126) which remains unpaid at the end of the year.

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

	2022 \$	2021 \$
Profit for the year	345,248	354,513
Sale/(purchase) of financial instruments held at fair value through profit or loss	6,761,384	199,995
(Increase)/decrease in accrued income and receivables	(40,108)	(2,161)
Decrease in accounts payable/liabilities	(56,198)	(40,389)
Net cash inflow from operating activities	<u>7,010,326</u>	<u>511,958</u>

14 Events occurring after end of the financial year

On 10 June 2022, the Responsible Entity issued a notice of termination of the Scheme. Consistent with the details stated in the Notice, the Scheme was terminated and all assets were sold. Final payment to unitholders was made on 15 July 2022.

Other than the above, the directors of the Responsible Entity are not aware of any matter or circumstance arising since 30 June 2022 which has significantly affected or may significantly affect the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2022 or on the results and cash flows of the Scheme for the year ended on that date.

15 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2022 and 30 June 2021.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 5 to 25 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2022 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date.
- (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, and
- (d) Note 2(a) confirms that the financial statements 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.



Rohan Mead
Director



Esther Kerr-Smith
Director

21 October 2022



Independent auditor's report

To the unitholders of Australian Unity Pooled Mortgage Fund

Our opinion

In our opinion:

The accompanying financial report of Australian Unity Pooled Mortgage 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 2022 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 2022
- 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 significant accounting policies and other explanatory information
- the directors' declaration.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Emphasis of matter - going concern no longer appropriate

We draw attention to Note 2(a) in the financial report, which discusses the directors of Australian Unity Funds Management Limited's (the Responsible Entity) intention to wind up the business prior to the next reporting period end of 30 June 2023. As a result, the financial report has been prepared on a



liquidation basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

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 report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we 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.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines 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 intends 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 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. This description forms part of our auditor's report.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to be 'George Sagonas'.

George Sagonas
Partner

Melbourne
21 October 2022