# Australian Unity Balanced Growth Portfolio

ARSN 090 010 638

# Annual financial statements for the reporting period ended 30 June 2015

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**Contents** Page



These financial statements cover Australian Unity Balanced Growth Portfolio as an individual entity.

The Responsible Entity of Australian Unity Balanced Growth Portfolio is Australian Unity Funds Management Limited (ABN 60 071 497 115). The Responsible Entity's registered office is Level 14, 114 Albert Road, South Melbourne, VIC 3205.

## Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Balanced Growth Portfolio ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2015 ("the reporting period").

### Directors

The following persons held office as directors of the Responsible Entity during the reporting period or since the end of the reporting period and up to the date of this report:

Glenn Barnes (Chairman)
David Bryant (Chief Executive Officer and Chief Investment Officer)
Melinda Cilento (Non-Executive Director)
Stephen Maitland (Non-Executive Director)
Kevin McCoy (Chief Financial Officer)
Rohan Mead (Group Managing Director)
Peter Promnitz (Non-Executive Director) (appointed 1 August 2014)
Greg Willcock (Non-Executive Director) (appointed 31 December 2014)
Ian Ferres (Non-Executive Director) (ceased 1 August 2014)
Warren Stretton (Non-Executive Director) (ceased 31 December 2014)

### Principal activities

The Scheme aims to provide investors with a combination of income and capital growth over a medium to long term, from a diversified portfolio of investments. The Scheme achieves this by investing in a combination of other Australian Unity managed schemes which primarily invest in growth assets such as equities and property, and maintains a modest exposure to defensive assets such as fixed interest and mortgages.

### Review and results of operations

*Results*

For the reporting period ended 30 June 2015, the Scheme posted a total return of 11.76% (split between a distribution return of 11.38% and a growth return of 0.38%).*

Unit prices (ex distribution) as at 30 June 2015 (2014) is as follows:
Retail units $0.9530 ($0.9492)*

* 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:

| | For the reporting period ended | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| Profit before finance costs attributable to unitholders | **6,005** | 3,527 |
| *Distributions* | | |
| Distributions paid and payable | **5,557** | 1,693 |

## Directors' report (continued)

### Significant changes in state of affairs

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

### Events occurring after the reporting period

Except as disclosed in note 13 in the financial statements, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

(i) the operations of the Scheme in future reporting periods, or
(ii) the results of those operations in future reporting periods, or
(iii) the state of affairs of the Scheme in future reporting periods.

### 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.

### 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 reporting period are disclosed in note 11 of the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 11 of the financial statements.

### Units in the Scheme

The movements in units on issue in the Scheme during the reporting period are disclosed in note 6 of 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 of 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 Class Order 98/0100 (as amended) 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 in accordance with that Class Order, where indicated.

## Directors' report (continued)

### Auditor's independence declaration

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

Signed in accordance with a resolution of the directors of Australian Unity Funds Management Limited.

Director

Director

10 September 2015

Ernst & Young
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# Auditor's Independence Declaration to the Directors of Australian Unity Funds Management Limited, as responsible entity for Australian Unity Balanced Growth Portfolio

In relation to our audit of the financial report of Australian Unity Balanced Growth Portfolio for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne

10 September 2015

## Statement of comprehensive income

| | Notes | For the reporting period ended 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|---|
| ***Investment income*** | | | |
| Interest income | | **1** | 2 |
| Distribution income | 3 | **3,500** | 3,780 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | 4 | **1,952** | (159) |
| Net gains on foreign exchange transactions | | **500** | 2 |
| Other income | | **536** | 430 |
| **Total investment income** | | **6,489** | 4,055 |
| | | | |
| ***Expenses*** | | | |
| Responsible Entity's fees | 11 | **484** | 457 |
| Other expenses | | **-** | 71 |
| **Total expenses** | | **484** | 528 |
| | | | |
| **Profit before finance costs attributable to unitholders** | | **6,005** | 3,527 |
| | | | |
| ***Finance costs attributable to unitholders*** | | | |
| Distributions to unitholders | 7 | **(5,557)** | (1,693) |
| Increase in net assets attributable to unitholders | 6 | **(448)** | (1,834) |
| Other comprehensive income for the reporting period attributable to unitholders | | **-** | - |
| **Total comprehensive income for the reporting period attributable to unitholders** | | **-** | - |

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

## Statement of financial position

| | Notes | As at<br>**30 June 2015 $'000** | 30 June 2014 $'000 |
|---|---|---|---|
| ***Assets*** | | | |
| Cash and cash equivalents | 8 | **5,799** | 4,250 |
| Receivables | | **2,121** | 2,496 |
| Financial assets held at fair value through profit or loss | 9 | **45,907** | 46,983 |
| **Total assets** | | **53,827** | 53,729 |
| ***Liabilities*** | | | |
| Distributions payable | | **4,747** | 856 |
| Payables | | **56** | 69 |
| **Total liabilities (excluding net assets attributable to unitholders)** | | **4,803** | 925 |
| **Net assets attributable to unitholders** | 6 | **49,024** | 52,804 |

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

## Statement of changes in net assets attributable to unitholders

| | For the reporting period ended | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| **Net assets attributable to unitholders at the beginning of the reporting period** | **52,804** | 49,580 |
| Profit before finance costs attributable to unitholders | **6,005** | 3,527 |
| Distributions to unitholders | **(5,557)** | (1,693) |
| Application for units | **2,857** | 5,567 |
| Redemption of units | **(7,095)** | (4,189) |
| Units issued upon re-investments of distributions | **10** | 12 |
| **Net assets attributable to unitholders at the end of the reporting period** | **49,024** | 52,804 |

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

## Statement of cash flows

| | | For the reporting period ended | |
|---|---|---|---|
| | | **30 June 2015** | 30 June 2014 |
| | Notes | **$'000** | $'000 |
| ***Cash flows from operating activities*** | | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | **18,087** | 8,545 |
| Purchase of financial instruments held at fair value through profit or loss | | **(11,007)** | (7,919) |
| Interest received | | **1** | 1 |
| Distributions received | | **238** | 161 |
| Other income received | | **523** | 425 |
| Responsible Entity's fees paid | | **(468)** | (528) |
| RITC received | | **2** | 1 |
| **Net cash inflow from operating activities** | 12(a) | **7,376** | 686 |
| | | | |
| ***Cash flows from financing activities*** | | | |
| Proceeds from applications by unitholders | | **2,953** | 5,468 |
| Payments for redemptions by unitholders | | **(7,124)** | (4,160) |
| Distributions paid | | **(1,656)** | (1,876) |
| **Net cash outflow from financing activities** | | **(5,827)** | (568) |
| | | | |
| **Net increase in cash and cash equivalents** | | **1,549** | 118 |
| Cash and cash equivalents at the beginning of the reporting period | | **4,250** | 4,132 |
| **Cash and cash equivalents at the end of the reporting period** | 8,12(b) | **5,799** | 4,250 |

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

## Contents

## 1 General information

These financial statements cover Australian Unity Balanced Growth Portfolio (“the Scheme”) as an individual entity. The Scheme was constituted on 23 October 1997, 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 period from 1 July 2014 to 30 June 2015 ("the reporting period").

These financial statements were authorised for issue by the directors of the Responsible Entity on 10 September 2015. 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 reporting periods presented, unless otherwise stated.

### (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 and the *Corporations Act 2001* in Australia.

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 reporting period cannot be reliably determined.

*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 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.

*Amended standard adopted by the Scheme*

The Scheme has applied the following major accounting standard amendments (to the extent relevant to the Scheme) for the first time for the reporting period:

AASB 2012-3 *Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 amended the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. The amendments do not change the current offsetting rules in AASB 132, but they clarify that the right of set-off must be available today (ie not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy. The Scheme currently complies with the amendment. The adoption of the amendment did not have a significant impact on the financial statements of the Scheme.

## 2 Summary of significant accounting policies (continued)

**(b) Financial instruments**

***(i) Classification***

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

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

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

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

    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 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) are included in the statement of comprehensive income in the reporting period 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.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

- *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 reporting period 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 equity and/or debt securities to listed derivatives, where applicable.

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

***(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 and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Scheme at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Scheme. Because the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

### (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 accrual basis. 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 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 reporting period 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, are recognised in the statement of comprehensive income on an accrual basis.

## 2 Summary of significant accounting policies (continued)

**(g) Income tax**

Under current legislation, the Scheme is not subject to income tax as unitholders are presently entitled to the income of the Scheme.

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

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

**(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. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

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

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

**(j) Foreign currency translation**

*(i) Functional and presentation currency*

Items 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.

*(ii) Transactions and balances*

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

The Scheme does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

**(k) Receivables**

Receivables may include amounts for dividends, interest 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 reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

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 reporting period.

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 reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period 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.

## 2 Summary of significant accounting policies (continued)

### (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 are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation 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 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.

The Scheme's financial instruments are valued 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 accounts receivable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not yet been applied in the financial statements. The directors' 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 from 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 not applicable until 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 does not intend to early adopt AASB 9. The Scheme will apply AASB 9 in its financial statements for the reporting period commencing from 1 July 2018.

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

In December 2014, the AASB issued a new standard for the recognition of revenue. Once applied or effective, AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the 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 does not intend to early adopt AASB 15. The Scheme will apply AASB 15 in its financial statements for the reporting period commencing from 1 July 2018.

## 2 Summary of significant accounting policies (continued)

**(p) New accounting standards and interpretations (continued)**

(iii) AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards* 2012-2014 *Cycle* (effective 1 January 2016)

In January 2015, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2012-2014 annual improvements project. No significant impact is expected upon adoption of the amendments. The Scheme does not intend to early adopt AASB 2015-1. The Scheme will apply AASB 2015-1 in its financial statements for the reporting period commencing from 1 July 2016.

(iv) AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101* (effective 1 January 2016)

AASB 2015-2 amends AASB 101 *Presentation of Financial Statements* to clarify that entities should not disclose immaterial information and that the presentation in notes to the financial statements can and should be tailored to provide the report users with the clearest story of an entity's financial performance and financial position. No significant impact is expected upon adoption of the amendments. The Scheme does not intend to early adopt AASB 2015-2. The Scheme will apply AASB 2015-2 in its financial statements for the reporting period commencing from 1 July 2016.

(v) AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* (effective 1 July 2015)

AASB 2015-3 completes the withdrawal of references to AASB 1031 *Materiality* in all Australian Accounting Standards and Interpretations, allowing AASB 1031 to effectively be withdrawn. No significant impact is expected upon adoption of the amendments. The Scheme does not intend to early adopt AASB 2015-3. The Scheme will apply AASB 2015-3 in its financial statements for the reporting period commencing from 1 July 2015.

**(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 of the kind referred to in Class Order 98/0100 (as amended), 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 in accordance with that Class Order to the nearest thousand dollars, where indicated.

## 3 Distribution income

| | For the reporting period ended | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| Unlisted managed investment schemes | **3,500** | 3,780 |
| | **3,500** | 3,780 |

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

| | For the reporting period ended | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| Net unrealised gain on financial instruments held for trading | **-** | 31 |
| Net unrealised gain/(loss) on financial instruments designated at fair value through profit or loss | **1,489** | (211) |
| Net realised loss on financial instruments held for trading | **(32)** | - |
| Net realised gain on financial instruments designated at fair value through profit or loss | **495** | 21 |
| **Total net gains/(losses) on financial instruments held at fair value through profit or loss** | **1,952** | (159) |

## 5 Auditor's remuneration

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

During the reporting period the following fees were paid or payable for services provided by the auditor to the Scheme:

| | For the reporting period ended | |
|---|---|---|
| | **30 June 2015 $** | 30 June 2014 $ |
| **(a) Audit services** | | |
| ***Audit services*** | | |
| Audit and review of financial statements | **7,000** | 6,200 |
| Total remuneration for audit services | **7,000** | 6,200 |
| | | |
| **(b) Non-audit services** | | |
| ***Taxation services*** | | |
| Tax compliance services | **1,926** | 1,700 |
| Total remuneration for taxation services | **1,926** | 1,700 |

## 6 Net assets attributable to unitholders

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. There are no separate classes of unit classes of units and each unit has the same rights attaching to it as all other units in the Scheme.

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

| | For the reporting period ended | | | |
|---|---|---|---|---|
| | **30 June 2015 No.'000** | 30 June 2014 No.'000 | **30 June 2015 $'000** | 30 June 2014 $'000 |
| **Opening balance** | **55,698** | 54,211 | **52,804** | 49,580 |
| Applications | **2,853** | 5,895 | **2,857** | 5,567 |
| Redemptions | **(7,011)** | (4,421) | **(7,095)** | (4,189) |
| Units issued upon reinvestment of distributions | **10** | 13 | **10** | 12 |
| Increase in net assets attributable to unitholders | **-** | - | **448** | 1,834 |
| **Closing balance** | **51,550** | 55,698 | **49,024** | 52,804 |

### Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial liability. 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.

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

### Timing of distributions

The distributions for the reporting period were as follows:

| | For the reporting period ended | | | |
|---|---|---|---|---|
| | **30 June 2015 $'000** | **30 June 2015 CPU** | 30 June 2014 $'000 | 30 June 2014 CPU |
| **Distributions** | | | | |
| 31 December | **810** | **1.5000** | 837 | 1.5000 |
| 30 June (payable) | **4,747** | **9.2085** | 856 | 1.5364 |
| **Total distributions** | **5,557** | | 1,693 | |

As unitholders are presently entitled to the distributable income of the Scheme, no income tax is payable by the Responsible Entity.

## 8 Cash and cash equivalents

| | As at | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| Cash management trusts | **5,791** | 4,235 |
| Cash at bank | **8** | 15 |
| | **5,799** | 4,250 |

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

| | As at | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| **Held for trading** | | |
| Options | **-** | 32 |
| Total held for trading | **-** | 32 |
| | | |
| **Designated at fair value through profit or loss** | | |
| Listed investment companies | **735** | 903 |
| Listed equities | **1** | - |
| Related unlisted managed investment schemes | **45,171** | 46,040 |
| Fixed interest bonds | **-** | 8 |
| Total designated at fair value through profit or loss | **45,907** | 46,951 |
| **Total financial assets held at fair value through profit or loss** | **45,907** | 46,983 |

An overview of the risk exposures relating to financial assets 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 share price and 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.

## 10 Financial risk management (continued)

### (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.

At 30 June 2015, the overall market exposures were as follows:

| | **As at** | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| Derivative assets held for trading | **-** | 32 |
| Securities designated at fair value through profit or loss | **45,907** | 46,951 |

*(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 by factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. 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. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Scheme's overall market positions are monitored on a regular basis by the Scheme's Investment Manager. This information and the compliance with the Scheme's disclosure documents are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

At 30 June 2015, if the equity prices had increased/(decreased) by the percentage 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:

| | **As at 30 June 2015** | | As at 30 June 2014 | |
|---|---|---|---|---|
| | **Increased by 10% $'000** | **Decreased by 10% $'000** | Increased by 10% $'000 | Decreased by 10% $'000 |
| **Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)** | **4,591** | **(4,591)** | 4,697 | (4,697) |

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2015 and 2014.

## 10 Financial risk management (continued)

### (b) Market risk (continued)

*(ii) Foreign exchange risk*

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

As stated in section (a) above, as part of its risk management strategy, the Scheme uses forward currency contracts to manage exposures resulting from changes in foreign currencies. On this basis, the Scheme's overall exposure to foreign exchange risk is considered minimal after taking into account the forward currency contracts.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's currency 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.

The foreign exchange risk disclosures have been prepared on the basis of the Scheme's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the Scheme where the Scheme has significant investments in indirect trusts which also have exposure to the currency markets.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Scheme, the Investment Manager factors that into its portfolio allocation decisions. While the Scheme has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain entities in which the Scheme invests, even if those entities' securities are denominated in Australian dollars. For that reason, the sensitivity analysis may not necessarily indicate the total effect on the Scheme's net assets attributable to unitholders of future movements in foreign exchange rates.

The table below summarises the Scheme's assets and liabilities which are denominated in Australian and non-Australian currencies:

| **30 June 2015** | **Australian Dollars A$'000** | **US Dollars A$'000** | **Total A$'000** |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | **5,799** | **-** | **5,799** |
| Receivables | **2,121** | **-** | **2,121** |
| Financial assets held at fair value through profit or loss | | | |
| Designated at fair value through profit or loss | | | |
| Listed investment companies | **735** | **-** | **735** |
| Listed equities | **1** | **-** | **1** |
| Related unlisted managed investment schemes | **43,619** | **1,552** | **45,171** |
| **Total assets** | **52,275** | **1,552** | **53,827** |
| **Liabilities** | | | |
| Distributions payable | **4,747** | **-** | **4,747** |
| Payables | **56** | **-** | **56** |
| **Total liabilities** | **4,803** | **-** | **4,803** |
| **Net assets attributable to unitholders** | **47,472** | **1,552** | **49,024** |

## 10 Financial risk management (continued)

### (b) Market risk (continued)

| 30 June 2014 | Australian Dollars A$'000 | US Dollars A$'000 | Total A$'000 |
|---|---|---|---|
| Assets | | | |
| Cash and cash equivalents | 4,250 | - | 4,250 |
| Receivables | 2,496 | - | 2,496 |
| Financial assets held at fair value through profit or loss | | | |
| Held for trading | | | |
| Options | 32 | - | 32 |
| Designated at fair value through profit or loss | | | |
| Listed investment companies | 903 | - | 903 |
| Unlisted managed investment schemes | 39,047 | 6,993 | 46,040 |
| Fixed interest bonds | 8 | - | 8 |
| Total assets | 46,736 | 6,993 | 53,729 |
| Liabilities | | | |
| Distributions payable | 856 | - | 856 |
| Payables | 69 | - | 69 |
| Total liabilities | 925 | - | 925 |
| Net assets attributable to unitholders | 45,811 | 6,993 | 52,804 |

At 30 June 2015, had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the Scheme is exposed, 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:

| | **AUD Weakened** | | **AUD Strengthened** | |
|---|---|---|---|---|
| | **Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders** | | | |
| | **30 June 2015 $'000** | 30 June 2014 $'000 | **30 June 2015 $'000** | 30 June 2014 $'000 |
| AUD/USD 2015 5% (2014: 10%) | **81** | 777 | **(74)** | (636) |

The analysis is performed on the same basis for 2015 and 2014.

*(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.

## 10 Financial risk management (continued)

### (b) Market risk (continued)

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:

| 30 June 2015 | Floating interest rate | 3 months or less | 4 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 8 | 5,791 | - | - | - | - | 5,799 |
| Receivables | - | - | - | - | - | 2,121 | 2,121 |
| Financial assets held at fair value through profit or loss | | | | | | | |
| Designated at fair value through profit or loss | | | | | | | |
| Listed investment companies | - | - | - | - | - | 735 | 735 |
| Listed equities | - | - | - | - | - | 1 | 1 |
| Related unlisted managed investment schemes | - | - | - | - | - | 45,171 | 45,171 |
| **Total assets** | 8 | 5,791 | - | - | - | 48,028 | 53,827 |
| **Liabilities** | | | | | | | |
| Distributions payable | - | - | - | - | - | 4,747 | 4,747 |
| Payables | - | - | - | - | - | 56 | 56 |
| **Total liabilities** | - | - | - | - | - | 4,803 | 4,803 |
| **Net assets attributable to unitholders** | 8 | 5,791 | - | - | - | 43,225 | 49,024 |

## 10 Financial risk management (continued)

### (b) Market risk (continued)

| 30 June 2014 | Floating interest rate | 3 months or less | 4 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Assets | | | | | | | |
| Cash and cash equivalents | 15 | 4,235 | - | - | - | - | 4,250 |
| Receivables | - | - | - | - | - | 2,496 | 2,496 |
| Financial assets held at fair value through profit or loss | | | | | | | |
| Held for Trading | | | | | | | |
| Options | - | - | - | - | - | 32 | 32 |
| Designated at fair value through profit or loss | | | | | | | |
| Listed investment companies | - | - | - | - | - | 903 | 903 |
| Related unlisted managed investment schemes | - | - | - | - | - | 46,040 | 46,040 |
| Fixed interest bonds | - | - | 8 | - | - | - | 8 |
| Total assets | 15 | 4,235 | 8 | - | - | 49,471 | 53,729 |
| Liabilities | | | | | | | |
| Distributions payable | - | - | - | - | - | 856 | 856 |
| Payables | - | - | - | - | - | 69 | 69 |
| Total liabilities | - | - | - | - | - | 925 | 925 |
| Net assets attributable to unitholders | 15 | 4,235 | 8 | - | - | 48,546 | 52,804 |

### (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 reporting period.

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 compliance manager, other key management personnel, compliance committees and ultimately the Board.

## 10 Financial risk management (continued)

### (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.

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 2015 and 30 June 2014:

| **At 30 June 2015** | **$'000** |
|---|---|
| Unlisted managed investment schemes - other | **16,154** |
| Unlisted managed investment schemes - property | **13,502** |
| Unlisted managed investment schemes - equity | **10,659** |
| Unlisted managed investment schemes - cash | **4,808** |
| Other | **784** |
| **Total** | **45,907** |

| At 30 June 2014 | $'000 |
|---|---|
| Unlisted managed investment schemes - equity | 21,177 |
| Unlisted managed investment schemes - other | 10,153 |
| Unlisted managed investment schemes - property | 9,170 |
| Unlisted managed investment schemes - cash | 4,684 |
| Other | 1,799 |
| Total | 46,983 |

### (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.

The Scheme's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Scheme may invest in investments in unlisted unit trusts that expose the Scheme to the risk that the Scheme or 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 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.

## 10 Financial risk management (continued)

### (e) Liquidity risk (continued)

**Maturity analysis for financial liabilities**

The table below analyses the Scheme's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| | **Less than 1 month** | **1-3 months** | **3-12 months** | **More than 12 months** |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **At 30 June 2015** | | | | |
| Distributions payable | **4,747** | **-** | **-** | **-** |
| Payables | **56** | **-** | **-** | **-** |
| Net assets attributable to unitholders | **49,024** | **-** | **-** | **-** |
| **Total financial liabilities** | **53,827** | **-** | **-** | **-** |

| | Less than 1 month | 1-3 months | 3-12 months | More than 12 months |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| At 30 June 2014 | | | | |
| Distributions payable | 856 | - | - | - |
| Payables | 69 | - | - | - |
| Net assets attributable to unitholders | 52,804 | - | - | - |
| Total financial liabilities | 53,729 | - | - | - |

As disclosed above, the Scheme manages its 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, listed equities and listed investment companies. As at 30 June 2015, these assets amounted to $6,534,982 (2014: $5,152,923).

Investment in the Australian Unity Wholesale Cash Fund is included in the liquid assets of the Scheme above.

### (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 reporting period approximated their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For the reporting periods ended 30 June 2015 and 30 June 2014, 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 Scheme. The Scheme 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 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.

| **At 30 June 2015** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets designated at fair value through profit or loss at inception: | | | | |
| Listed investment companies | **735** | **-** | **-** | **735** |
| Listed equities | **1** | **-** | **-** | **1** |
| Related unlisted managed investment schemes | **-** | **45,171** | **-** | **45,171** |
| **Total** | **736** | **45,171** | **-** | **45,907** |

| At 30 June 2014 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets held for trading: | | | | |
| Options | 32 | - | - | 32 |
| | 32 | - | - | 32 |
| Financial assets designated at fair value through profit or loss at inception: | | | | |
| Listed investment companies | 903 | - | - | 903 |
| Related unlisted managed investment schemes | - | 46,040 | - | 46,040 |
| Fixed interest bonds | - | - | 8 | 8 |
| Total | 935 | 46,040 | 8 | 46,983 |

## 10 Financial risk management (continued)

### (g) Fair value hierarchy (continued)

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.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, the Scheme has used valuation techniques to derive fair value.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment trusts that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

Level 3 instruments could include distressed debt instruments, certain private equity and real estate investments that are not based on market inputs or securities that are in an inactive/illiquid market and are valued using models and internal data. Level 3 investments may be adjusted to reflect illiquidity and/or restrictions, however, the adjustments are not based on available market information. Level 3 instruments also include those that have stale price that is, where the pricing for a particular security has remained static for an extended period of time.

Level 3 valuations are reviewed quarterly by the relevant management. The management considers the appropriateness of the valuation inputs, methods and techniques used in the valuations. The valuation inputs are generally sourced from independent third party pricing sources without adjustment such as stock exchanges, pricing agencies and/or fund managers. Where the inputs are considered stale, unobservable, proprietary or from an inactive market, they are categorised as level 3.

Where a valuation model technique is used, the Scheme considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary. There have been no changes to the valuation techniques used for financial instruments classified as levels 2 and 3.

The following table presents the movement in level 3 instruments as at the reporting date by class of financial instrument.

| **As at 30 June 2015** | **Opening balance** | **Purchases** | **Sales** | **Transfers into level 3** | **Transfers out of level 3** | **Gains/ (losses) recognised in profit or loss** | **Closing balance** |
|---|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Fixed interest bonds | 8 | - | (8) | - | - | - | - |
| **Total** | **8** | **-** | **(8)** | **-** | **-** | **-** | **-** |

| As at 30 June 2014 | Opening balance | Purchases | Sales | Transfers into level 3 | Transfers out of level 3 | Gains/ (losses) recognised in profit or loss | Closing balance |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Fixed interest bonds | 8 | - | - | - | - | - | 8 |
| Total | 8 | - | - | - | - | - | 8 |

## 11 Related party transactions

**Responsible Entity**

The Responsible Entity of Australian Unity Balanced Growth Portfolio 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 reporting period as follows:

Glenn Barnes (Chairman)
David Bryant (Chief Executive Officer and Chief Investment Officer)
Melinda Cilento (Non-Executive Director)
Stephen Maitland (Non-Executive Director)
Kevin McCoy (Chief Financial Officer)
Rohan Mead (Group Managing Director)
Peter Promnitz (Non-Executive Director) (appointed 1 August 2014)
Greg Willcock (Non-Executive Director) (appointed 31 December 2014)
Ian Ferres (Non-Executive Director) (ceased 1 August 2014)
Warren Stretton (Non-Executive Director) (ceased 31 December 2014)

(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 reporting period.

**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 net 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 reporting period and amounts payable at reporting period end between the Scheme and the Responsible Entity were as follows:

| | **As at** | |
|---|---|---|
| | **30 June 2015 $** | 30 June 2014 $ |
| Responsible Entity's fees for the reporting period paid by the Scheme to the Responsible Entity | **466,821** | 456,729 |
| Administration expenses (audit fee inclusive) incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution | **17,169** | - |
| Fees earned by the Responsible Entity in respect of investments by the Scheme in other schemes managed by the Responsible Entity | **535,615** | 430,111 |
| Aggregate amounts payable to the Responsible Entity at the end of the reporting period | **8,257** | 5,116 |

## 11 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 no units in the Scheme as at 30 June 2015 and 30 June 2014.

### Investments

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

| | Fair value of investment | | Interest held | | Distributions received/receivable | |
|---|---|---|---|---|---|---|
| | **30 June 2015 $** | 30 June 2014 $ | **30 June 2015 %** | 30 June 2014 % | **30 June 2015 $** | 30 June 2014 $ |
| Australian Unity Mortgage Income Trust | **64,309** | 133,795 | **0.06** | 0.06 | **-** | - |
| Australian Unity High Yield Mortgage Income Trust | **287,356** | 482,644 | **0.48** | 0.48 | **-** | - |
| Australian Unity Wholesale Cash Fund | **5,790,876** | 4,234,737 | **0.86** | 0.54 | **107,631** | 113,367 |
| Acorn Capital Microcap Fund - Wholesale | **477,138** | 924,538 | **0.98** | 1.08 | **7,081** | 16,071 |
| Australian Unity Wingate Global Equity Fund | **7,288** | 5,904 | **0.01** | 0.01 | **969** | 839 |
| Altius Bond Fund | **4,807,669** | 4,683,706 | **2.81** | 3.27 | **170,517** | 217,420 |
| Australian Unity Geared Property Income Fund | **-** | - | **-** | - | **-** | 129,501 |
| Australian Unity Investments Seres Asian Equity Opportunities Fund | **6,676,232** | 1,401,458 | **-** | 6.34 | **-** | - |
| Platypus Systematic Growth Fund | **7,550,515** | 12,324,410 | **22.57** | 27.11 | **1,683,987** | 1,420,964 |
| Seres Asian Equity Opportunities Fund - Cayman | **1,549,061** | 6,993,124 | **25.11** | 28.40 | **206,915** | - |
| Australian Unity Property Income Fund | **7,439,465** | 8,553,461 | **8.85** | 11.21 | **573,081** | 475,213 |
| Australian Unity Retail Property Fund | **629,707** | 855,576 | **0.41** | 0.56 | **58,093** | 119,028 |
| Retirement Village Investment Notes Series 3 - 3 Year Notes Prospectus 2 | **-** | 8,000 | **-** | 0.15 | **-** | 161 |
| Acorn Capital Asia Small Cap Fund | **1,081,904** | 935,664 | **5.47** | 7.53 | **54,682** | 112,833 |
| Acorn Capital Investment Fund | **735,000** | 903,000 | **2.07** | 2.05 | **-** | - |
| Australian Unity Wingate Global Equity Fund - Hedged | **9,470,841** | 8,746,001 | **26.55** | 28.03 | **514,057** | 1,034,077 |
| Acorn Capital Microcap Fund - P class | **47,715** | - | **99.80** | - | **1,656** | - |
| Platypus Australian Equities Trust | **5,081,410** | - | **3.60** | - | **119,181** | - |
| | **51,696,486** | 51,186,018 | | | **3,497,850** | 3,639,474 |

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

| | For the reporting period ended | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| **(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities** | | |
| Profit/(loss) for the reporting period attributable to unitholders | **-** | - |
| Increase in net assets attributable to unitholders | **448** | 1,834 |
| Proceeds from sale of financial instruments held at fair value through profit or loss | **18,087** | 8,545 |
| Purchase of financial instruments held at fair value through profit or loss | **(11,007)** | (7,919) |
| Net (gains)/losses on financial instruments held at fair value through profit or loss | **(1,952)** | 159 |
| Net gains on foreign currency transactions | **(500)** | (2) |
| Net change in accrued income and receivables | **276** | (1,956) |
| Net change in payables and other liabilities | **17** | 2 |
| Distributions to unitholders | **5,557** | 1,693 |
| Reinvested income | **(3,550)** | (1,670) |
| ***Net cash inflow from operating activities*** | **7,376** | 686 |

### (b) Components of cash and cash equivalents

Cash as at the end of the reporting period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | **5,799** | 4,250 |
| | **5,799** | 4,250 |

### (c) Non-cash financing and investing activities

| | | |
|---|---|---|
| During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | **10** | 12 |
| | **10** | 12 |

## 13 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2015 or on the results and cash flows of the Scheme for the reporting period ended on that date.

## 14 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2015 and 30 June 2014.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The financial statements and notes set out on pages 6 to 31 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 2015 and of its performance, as represented by the results of its operations and cash flows, for the reporting period 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

10 September 2015

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# Independent auditor's report to the unitholders of Australian Unity Balanced Growth Portfolio

We have audited the accompanying financial report of Australian Unity Balanced Growth Portfolio, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

## *Directors' responsibility for the financial report*

The directors of Australian Unity Funds Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

## *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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## *Opinion*

In our opinion:

a. the financial report of Australian Unity Balanced Growth Portfolio is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Australian Unity Balanced Growth Portfolio's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne

10 September 2015