Talaria Global Equity Fund - Hedged (formerly Wingate Global Equity Fund - Hedged)

ARSN 159 504 275

Annual report
for the year ended 30 June 2019

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Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Talaria Global Equity Fund - Hedged (formerly Wingate Global Equity Fund - Hedged) ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2019.

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

Rohan Mead, Chairman and Group Managing Director
David Bryant, Chief Executive Officer, Wealth & Capital Markets and Chief Investments Officer
Esther Kerr-Smith, Group Executive Finance & Strategy
Darren Mann, Deputy Head of Finance and Chief Financial Officer (appointed 12 October 2018)

Principal activities
The Scheme aims to provide investors with capital growth over the medium to long term by investing in the Talaria Global Equity Fund (formerly Wingate Global Equity Fund) (ARSN 132 393 705) which invests in international equities either directly or via derivatives. The Scheme hedges its international currency exposure back into Australian dollars.

The Scheme's assets are managed by Talaria Asset Management Pty Ltd (formerly Wingate Asset Management Pty Ltd).

Review and results of operations
For the year ended 30 June 2019 the Scheme posted a total return of 4.04% (split between a distribution return of 0.11% and a growth return of 3.93%).*

Unit prices (ex distribution) as at 30 June 2019 (2018) are as follows:
Wholesale units $1.0254 ($0.9944)*

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

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

	2019 $'000	2018 $'000
Profit for the year	**987**	1,142
Distributions		
Distributions paid and payable	**22**	1,425

Significant changes in the state of affairs
On 27 September 2018, the Scheme changed its name from Wingate Global Equity Fund - Hedged to Talaria Global Equity Fund - Hedged. The appointed investment manager for the Scheme also changed their name from Wingate Asset Management Pty Ltd to Talaria Asset Management Pty Ltd. The change of name follows the Wingate Asset Management executive team and Wingate Group reaching agreement to restructure the equity ownership of the business. The restructure sees the Wingate Asset Management executive team taking majority ownership of the business.

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

Events occurring after end of the year
No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the operations of the Scheme, the results of operations, or the state of the Scheme’s affairs in future reporting periods, except those mentioned elsewhere in the report.

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

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

Directors' report (continued)

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

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates
Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in Note 13 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 13 to the financial statements.

Units in the Scheme
The movement in units on issue in the Scheme during the year are 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 operations are not subject to environmental regulations under Australian law.

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

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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

Director

Director

20 September 2019

Auditor's Independence Declaration

As lead auditor for the audit of Talaria Global Equity Fund – Hedged (formerly Wingate Global Equity Fund - Hedged) for the year ended 30 June 2019, 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.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
20 September 2019

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T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Statement of comprehensive income

	Notes	**2019 $'000**	2018 $'000
Investment income			
Interest income from financial assets at amortised cost		**4**	3
Distribution income		**1,780**	2,064
Net losses on financial instruments at fair value through profit or loss	3	**(785)**	(912)
Other income		**294**	319
Total investment income		**1,293**	1,474
Expenses			
Responsible Entity's fees	13	**306**	332
Total expenses		**306**	332
Profit for the year		**987**	1,142
Other comprehensive income		**-**	-
Total comprehensive income attributable to unitholders		**987**	1,142

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

Statement of financial position

	Notes	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	7	**1,258**	95
Receivables		**1,103**	1,231
Financial assets at fair value through profit or loss	8	**23,253**	24,082
Total assets		**25,614**	25,408
Liabilities			
Distributions payable	6	**-**	1,011
Payables		**31**	81
Financial liabilities at fair value through profit or loss	9	**80**	506
Total liabilities		**111**	1,598
Net assets attributable to unitholders - equity	5	**25,503**	23,810

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

Statement of changes in equity

	2019 $'000	2018 $'000
Balance at the beginning of the year*	**23,810**	-
Reclassification due to AMIT tax regime implementation*	**-**	21,114
Comprehensive income for the year		
Profit for the year	**987**	1,142
Other comprehensive income	**-**	-
Total comprehensive income	**987**	1,142
Transactions with unitholders		
Applications	**5,650**	9,831
Redemptions	**(5,523)**	(7,775)
Units issued upon re-investment of distributions	**601**	923
Distributions paid and payable	**(22)**	(1,425)
Total transactions with unitholders	**706**	1,554
Balance at the end of the year	**25,503**	23,810

** Effective from 1 July 2017, the Scheme's units have been reclassified from financial liability to equity.*

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

Statement of cash flows

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**3,500**	4,866
Payments for purchase of financial instruments at fair value through profit or loss		**(1,750)**	(6,351)
Interest received from financial assets at amortised cost		**3**	3
GST received		**1**	1
Other income received		**293**	317
Responsible Entity's fees paid		**(308)**	(329)
Net cash inflow/(outflow) from operating activities	14	**1,739**	(1,493)
Cash flows from financing activities			
Proceeds from applications by unitholders		**5,428**	9,831
Payments for redemptions by unitholders		**(5,572)**	(7,724)
Distributions paid to unitholders		**(432)**	(757)
Net cash (outflow)/inflow from financing activities		**(576)**	1,350
Net increase/(decrease) in cash and cash equivalents		**1,163**	(143)
Cash and cash equivalents at the beginning of the year		**95**	238
Cash and cash equivalents at the end of the year		**1,258**	95

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

Notes to the financial statements

1 General information

These financial statements cover Talaria Global Equity Fund - Hedged (formerly Wingate Global Equity Fund - Hedged) ("the Scheme") as an individual entity. The Scheme was constituted on 9 July 2012 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 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

On 27 September 2018, the Scheme changed its name from Wingate Global Equity Fund - Hedged to Talaria Global Equity Fund - Hedged. The appointed investment manager for the Scheme also changed their name from Wingate Asset Management Pty Ltd to Talaria Asset Management Pty Ltd. The change of name follows the Wingate Asset Management executive team and Wingate Group reaching agreement to restructure the equity ownership of the business. The restructure sees the Wingate Asset Management executive team taking majority ownership of the business.

The financial statements are for the financial year 1 July 2018 to 30 June 2019.

The financial statements were authorised for issue by the directors of the Responsible Entity on 20 September 2019. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

The Scheme manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

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

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

(ii) New accounting standards and amendments adopted by the Scheme
AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities and replaces the multiple classification and measurement models in AASB 139.

Classification and measurement of debt securities is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New accounting standards and amendments adopted by the Scheme (continued)
Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Scheme and did not result in a change to the measurement of financial instruments in either the current or prior periods. The Scheme's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on the Scheme's financial statements from the application of the new impairment model.

AASB 15 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that applies to all contracts with customers, except for contracts that are within the scope of the accounting standards for leases, insurance contracts and financial instruments. The Scheme's main source of income includes interest, distributions and gains on financial instruments at fair value through profit or loss. All of these are outside the scope of the Revenue standard. Consequently, the application of AASB 15 has no material impact on the Scheme's financial statements.

There are no other new standards, interpretations and amendments that are effective for the first time for the year that were relevant to the Scheme.

(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 30 June 2019 reporting period and have not yet been applied in the financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

(b) Financial instruments

(i) Classification

- *Financial assets*

The Scheme classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Scheme's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Unlisted managed investment schemes and derivatives are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- *Financial liabilities*

Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost. This category includes short term 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

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

(iii) Measurement
At initial recognition, the Scheme measures its investments, which are classified as financial assets and liabilities at fair value through profit or loss, at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

- *Fair value in an active market*

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

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

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

- *Fair value in an inactive or unquoted market*

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

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

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

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

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

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

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

Financial assets and liabilities that have been offset have been disclosed in Note 12.

(c) Net assets attributable to unitholders
Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

2 Summary of significant accounting policies (continued)

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

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

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 asset, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Scheme, and it is not a contract settled in the Schemes own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

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

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

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

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

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

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

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

(h) Distributions
The Scheme distributes its distributable income, in accordance with the Scheme's Constitution, to unitholders by cash or reinvestment.

(i) 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.

2 Summary of significant accounting policies (continued)

(i) Foreign currency translation (continued)

(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 year 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.

(j) Receivables
Receivables may include amounts for dividends, interest, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established (ex-date). Interest is accrued at the end of each year from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables. Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

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

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

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

(l) 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.

(m) Goods and services tax (GST)
Expenses of various services provided to the Scheme by third parties such as custodial services and investment management fees etc. are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the related expense or cost item. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%.

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.

2 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

(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.

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

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

	2019 **$'000**	2018 $'000
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	**156**	(379)
Net realised loss on financial assets at fair value through profit or loss	**(941)**	(533)
Total net losses on financial instruments at fair value through profit or loss	**(785)**	(912)

4 Auditor's remuneration

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

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

	2019 $	2018 $
Audit services - PricewaterhouseCoopers		
Audit and review of financial statements	**6,500**	6,180
Taxation services - Ernst & Young		
Tax compliance services	**3,240**	3,240

5 Net assets attributable to unitholders

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

	2019 No. '000	2018 No. '000	**2019 $'000**	2018 $'000
Opening balance	**24,005**	21,018	**23,810**	21,114
Applications	**5,572**	9,608	**5,650**	9,831
Redemptions	**(5,449)**	(7,537)	**(5,523)**	(7,775)
Units issued upon re-investment of distributions	**604**	916	**601**	923
Distributions to unitholders	**-**	-	**(22)**	(1,425)
Profit for the year	**-**	-	**987**	1,142
Closing Balance	**24,732**	24,005	**25,503**	23,810

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

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

Capital risk management
The Scheme considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption.

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

6 Distributions to unitholders

The distributions for the year were as follows:

	2019 $'000	**2019 CPU**	2018 $'000	2018 CPU
Distributions				
30 September	**22**	**0.1000**	266	1.0000
31 December	**-**	**-**	27	0.1000
31 March	**-**	**-**	121	0.5000
30 June (payable)	**-**	**-**	1,011	4.2098
Total distributions	**22**		1,425	

7 Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank	**1,258**	95
Total cash and cash equivalents	**1,258**	95

8 Financial assets at fair value through profit or loss

	2019 $'000	2018 $'000
Derivatives	**150**	-
Unlisted managed investment schemes	**23,103**	24,082
Total financial assets at fair value through profit or loss	**23,253**	24,082

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 11.

9 Financial liabilities at fair value through profit or loss

	2019 $'000	2018 $'000
Derivatives	**80**	506
Total financial liabilities at fair value through profit or loss	**80**	506

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in Note 11.

10 Derivative financial instruments

In the normal course of business the Scheme may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Scheme's portfolio management.

Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Scheme against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Scheme.

The Scheme holds the following derivative instruments:

(a) Forward currency contracts
Forward currency contracts are primarily used by the Scheme to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Scheme agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each year. The Scheme recognises a gain or loss equal to the change in fair value at the end of each year.

10 Derivative financial instruments (continued)

The Scheme's derivative financial instruments at year end are detailed below:

2019	**Notional $'000**	**Assets $'000**	**Liabilities $'000**
Forward foreign exchange contracts	**22,299**	**150**	**80**
		150	**80**

2018	Notional $'000	Assets $'000	Liabilities $'000
Forward foreign exchange contracts	(471)	-	506
		-	506

11 Financial risk management

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

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

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

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

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

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

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

The overall market exposures at year end were as follows:

	2019 $'000	2018 $'000
Derivatives assets	**150**	-
Derivatives liabilities	**(80)**	(506)
Securities at fair value through profit or loss	**23,103**	24,082

(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.

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)
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.

If the managed investment schemes' 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:

	Impact on net assets attributable to unitholders	
	2019	2018
	$'000	$'000
Securities prices 2019: +10% (2018: +10%)	**2,310**	2,408
Securities prices 2019: -10% (2018: -10%)	**(2,310)**	(2,408)

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2019 and 2018.

(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.

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 non-Australian currencies:

2019	**JPY A$'000**	**GBP A$'000**	**EUR A$'000**	**USD A$'000**	**Other* A$'000**
Liabilities					
Financial liabilities at fair value through profit or loss					
Foreign currency contracts	2,152	2,171	3,474	11,241	3,186
Total liabilities	2,152	2,171	3,474	11,241	3,186
Net liabilities attributable to unitholders	(2,152)	(2,171)	(3,474)	(11,241)	(3,186)

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

2018	JPY A$'000	GBP A$'000	EUR A$'000	USD A$'000	Other* A$'000
Assets					
Financial assets at fair value through profit or loss					
Foreign currency contracts	1,199	3,141	2,669	15,174	2,688
Total assets	1,199	3,141	2,669	15,174	2,688
Liabilities					
Financial liabilities at fair value through profit or loss					
Foreign currency contracts	2,398	6,283	5,338	30,347	5,376
Total liabilities	2,398	6,283	5,338	30,347	5,376
Net assets attributable to unitholders	(1,199)	(3,142)	(2,669)	(15,173)	(2,688)

* Other represents the Scheme's assets and liabilities denominated in multiple currencies which individually are of lesser significance.

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**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
AUD/JPY 2019 10% (2018: 10%)	**(215)**	(120)	**215**	120
AUD/GBP 2019 10% (2018: 10%)	**(217)**	(314)	**217**	314
AUD/EUR 2019 10% (2018: 10%)	**(347)**	(267)	**347**	267
AUD/USD 2019 10% (2018: 10%)	**(1,124)**	(1,517)	**1,124**	1,517
AUD/Other 2019 10% (2018: 10%)	**(319)**	(269)	**319**	269

The possible impact against other currencies is considered immaterial individually and therefore has not been included in the above table. The analysis is performed on the same basis for 2019 and 2018.

(iii) Interest rate risk
There was no significant direct interest rate risk in the Scheme as at 30 June 2019 (2018: Nil).

(c) Credit risk

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

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

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the year.

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

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

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

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

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

11 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.

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

Based on the concentrations of risk that are managed by industry sector and/or counterparty, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2019 and 30 June 2018:

	2019 **$'000**	2018 $'000
Unlisted managed investment schemes - equity	**23,103**	24,082
Other	**150**	-
Total	**23,253**	24,082

(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 may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Scheme may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

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

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

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

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

Maturity analysis for financial liabilities
The table below summarises the maturity profile of the Scheme’s financial liabilities, redeemable units and derivative financial instruments on the remaining period at the end of the year to the contractual maturity date.

11 Financial risk management (continued)

(e) Liquidity risk (continued)

Maturity analysis for financial liabilities (continued)
The Scheme's non-derivative financial liabilities in the table are the contractual undiscounted cash flows and the Scheme's derivative financial instruments in the table are net fair values, based on the amounts at which an orderly settlement of the transactions would take place between market participants at the reporting date.

2019	**Under 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**Over 12 months $'000**
Financial liabilities:				
Payables	**31**	**-**	**-**	**-**
Total financial liabilities	**31**	**-**	**-**	**-**
Net settled derivatives				
Forward foreign currency contracts	**-**	**70**	**-**	**-**
Total net settled derivatives inflow (outflow)	**-**	**70**	**-**	**-**

2018	Under 1 month $'000	1-3 months $'000	3-12 months $'000	Over 12 months $'000
Financial liabilities:				
Distributions payable	1,011	-	-	-
Payables	81	-	-	-
Total financial liabilities	1,092	-	-	-
Net settled derivatives				
Forward foreign currency contracts	-	(506)	-	-
Total net settled derivatives inflow (outflow)	-	(506)	-	-

As disclosed above, the Investment Manager manages the Scheme's liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents. As at 30 June 2019, these assets amounted to $1,257,748 (2018: $94,727).

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

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

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

For the years ended 30 June 2019 and 30 June 2018, 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.

(g) Fair value hierarchy

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

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

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

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

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

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.

2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Forward foreign exchange contracts	**-**	**150**	**-**	**150**
Unlisted managed investment schemes	**-**	**23,103**	**-**	**23,103**
Total financial assets	**-**	**23,253**	**-**	**23,253**
Financial liabilities				
Forward foreign exchange contracts	**-**	**(80)**	**-**	**(80)**
Total financial liabilities	**-**	**(80)**	**-**	**(80)**

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Unlisted managed investment schemes	-	24,082	-	24,082
Total financial assets	-	24,082	-	24,082
Financial liabilities				
Forward foreign exchange contracts	-	(506)	-	(506)
Total financial liabilities	-	(506)	-	(506)

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

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

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

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the year (30 June 2018: Nil).

12 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is 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. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the following tables.

	Gross amounts $'000	**Amounts offset $'000**	**Net amount presented in the statement of financial position $'000**	**Related amount not offset $'000**	**Net amount $'000**
2019					
Derivative assets	**22,299**	**(22,149)**	**150**	**-**	**150**
Derivative liabilities	**(22,229)**	**22,149**	**(80)**	**-**	**(80)**
Total	**70**	**-**	**70**	**-**	**70**
2018					
Derivative assets	73,706	(73,706)	-	-	-
Derivative liabilities	(74,212)	73,706	(506)	-	(506)
Total	(506)	-	(506)	-	(506)

12 Offsetting financial assets and financial liabilities (continued)

The agreements, where relevant, could include derivative clearing agreements, global master repurchase agreements and others. Similar financial instruments could include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities lending agreements, short sales etc.

The International Swaps and Derivatives Association ("ISDA") master netting agreements or similar agreements do not generally meet the criteria for offsetting. This is because they create a right of setoff of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the entity or the counterparties.

From time to time, the Scheme may receive or pledge collateral which could be in the form of cash or marketable securities or both in respect of the above instruments. Such collateral, if transacted, is generally subject to the standard industry in terms of ISDA's Credit Support Annex. This means that collateral received/pledged can be repledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also generally give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral.

13 Related party transactions

Responsible Entity
The Responsible Entity of Talaria Global Equity Fund - Hedged (formerly Wingate Global Equity Fund - Hedged) is Australian Unity Funds Management Limited (ABN 60 071 497 115) whose immediate and ultimate Parent Entity is Australian Unity Limited (ABN 23 087 648 888).

Key management personnel

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

Rohan Mead, Chairman and Group Managing Director
David Bryant, Chief Executive Officer, Wealth & Capital Markets and Chief Investments Officer
Esther Kerr-Smith, Group Executive Finance & Strategy
Darren Mann, Deputy Head of Finance and Chief Financial Officer (appointed 12 October 2018)

(b) Other key management personnel
There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the year.

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

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

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

The Investment Management fee paid to Talaria Asset Management Pty Ltd is borne by the Responsible Entity.

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

	2019 **$**	2018 $
Responsible Entity's fees for the year paid by the Scheme to the Responsible Entity	**278,091**	302,084
Administration expenses (audit fees inclusive) incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	**27,734**	29,975
Fees earned by the Responsible Entity in respect of investments by the Scheme in other schemes managed by the Responsible Entity	**293,675**	318,773
Aggregate amounts payable to the Responsible Entity at the end of the year	**28,630**	29,628

13 Related party transactions (continued)

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

2019 Unitholder	**No. of units held opening**	**No. of units held closing**	**Fair value of investment $***	**Interest held %**	**No. of units acquired**	**No. of units disposed**	**Distributions paid/payable $**
Australian Unity Health Limited	**3,762,149**	**4,115,125**	**4,239,813**	**16.64**	**352,976**	**-**	**3,762**
Australian Unity Balanced Growth Bond	**3,870,826**	**3,675,852**	**3,787,230**	**14.86**	**167,806**	**(362,780)**	**4,035**
Australian Unity Balanced Growth Portfolio	**3,591,909**	**2,855,405**	**2,941,924**	**11.55**	**-**	**(736,504)**	**3,199**
Lifeplan Funeral Benefit No2 Untaxed	**2,147,326**	**1,460,210**	**1,504,454**	**5.90**	**92,850**	**(779,966)**	**1,992**
Lifeplan Funeral Benefit No2 Taxed	**1,346,080**	**1,419,874**	**1,462,896**	**5.74**	**132,217**	**(58,423)**	**1,403**
Other Related Parties**	**4,359,296**	**4,058,304**	**4,181,271**	**16.41**	**569,947**	**(870,939)**	**4,497**
	19,077,586	**17,584,770**	**18,117,588**	**71.10**	**1,315,796**	**(2,808,612)**	**18,888**

2018 Unitholder	No. of units held opening	No. of units held closing	Fair value of investment $*	Interest held %	No. of units acquired	No. of units disposed	Distributions paid/payable $
Australian Unity Health Limited	-	3,762,149	3,887,805	15.67	4,257,886	(495,737)	215,721
Australian Unity Balanced Growth Bond	3,595,166	3,870,826	4,000,112	16.12	275,660	-	224,160
Australian Unity Balanced Growth Portfolio	3,591,909	3,591,909	3,711,879	14.96	-	-	208,683
Lifeplan Funeral Benefit No2 Untaxed	1,798,922	2,147,326	2,219,047	8.95	348,404	-	122,071
Lifeplan Funeral Benefit No2 Taxed	859,253	1,346,080	1,391,039	5.61	486,827	-	73,390
Other Related Parties**	7,742,257	4,359,296	4,504,896	18.16	968,154	(4,351,115)	288,260
	17,587,507	19,077,586	19,714,778	79.47	6,336,931	(4,846,852)	1,132,285

* Fair value of investment includes accrued distribution at the end of the year.
** Other related parties consists of investors with holdings of less than 5%.

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

2019	**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 or receivable $**
Talaria Global Equity Fund**	**26,079,705**	**24,873,973**	**23,953,636**	**6.72**	**4,152,188**	**(5,357,920)**	**1,780,127**
	26,079,705	**24,873,973**	**23,953,636**		**4,152,188**	**(5,357,920)**	**1,780,127**

2018	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 or receivable $
Talaria Global Equity Fund**	22,926,011	26,079,705	25,286,882	10.06	8,868,610	(5,714,916)	2,063,728
	22,926,011	26,079,705	25,286,882		8,868,610	(5,714,916)	2,063,728

* Fair value of investment includes accrued distribution at the end of the year.
** On 27 September 2018, Wingate Global Equity Fund changed its name to Talaria Global Equity Fund.

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

	2019 $'000	2018 $'000
Profit for the year	**987**	1,142
Proceeds from sale of financial instruments at fair value through profit or loss	**3,500**	4,866
Payments for purchase of financial instruments at fair value through profit or loss	**(1,750)**	(6,351)
Net losses on financial instruments at fair value through profit or loss	**785**	912
Reinvested income	**(2,132)**	(1,748)
Net change in receivables	**350**	(318)
Net change in payables	**(1)**	4
Net cash inflow/(outflow) from operating activities	**1,739**	(1,493)

15 Events occurring after end of year

The directors of the Responsible Entity are not aware of any matter or circumstance arising since the end of the year which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Scheme for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2019 and 30 June 2018.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The financial statements and notes set out on pages 5 to 26 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 2019 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.

(d) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Director

Director

20 September 2019

Independent auditor's report

To the unitholders of Talaria Global Equity Fund – Hedged (formerly Wingate Global Equity Fund - Hedged)

Our opinion

In our opinion:

The accompanying financial report of Talaria Global Equity Fund – Hedged (formerly Wingate Global Equity Fund - Hedged) (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 2019 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 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Other information

The directors of Australian Unity Funds Management Limited (the "Responsible Entity") are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 30 June 2019, 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 determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

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.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Talaria Global Equity Fund – Hedged (formerly Wingate Global Equity Fund - Hedged) for the year ended 30 June 2019 included on Australian Unity's web site. The directors of the Responsible Entity of the Scheme are responsible for the integrity of Australian Unity's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

George Sagonas
Partner

Melbourne
20 September 2019