

# **Altius Green Bond Fund**

ARSN 648 842 371

## **Annual report for the year ended 30 June 2024**

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## Annual report for the year ended 30 June 2024

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## Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the "Responsible Entity" of Altius Green Bond Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2024, and the report of the auditor thereon.

### 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
Esther Kerr	Group Executive, Wealth & Capital Markets
Darren Mann	Group Executive, Finance & Strategy and Chief Financial Officer

### Principal activities

The Scheme invests in accordance with the investment policy as set out in their respective Product Disclosure Statements (PDS) and in accordance with the Scheme's Constitutions. Considerations for green, sustainable and social bonds are outlined in the Green, Sustainable and Social Bond Policy.

The Scheme invests in a broad range of fixed interest securities along with cash and similar investments. These may include direct or indirect international and domestic holdings of government, corporate and asset backed issuers. The Scheme has broad investment guidelines permitting investments in fixed interest securities of 0-100% and cash and similar investments of 0-100%. Furthermore, these investments may be with government or corporate entities in a range of 0-100%.

### Review and results of operations

For the years ended 30 June 2024 and 30 June 2023 the Scheme posted total returns as follows:

	2024			2023		
	Total Return	Distribution Return	Growth Return	Total Return	Distribution Return	Growth Return
	%	%	%	%	%	%
Ordinary class	3.64	1.67	1.97	2.14	1.39	0.75
Retail class	3.54	1.65	1.89	2.07	1.29	0.78

Unit prices (ex distribution) as at 30 June 2024 (30 June 2023) are as follows:

Ordinary units \$0.8923 (\$0.8755)\*

Retail units \$0.8988 (\$0.8826)\*

\* 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:

	2024	2023
	\$'000	\$'000
Profit before finance costs attributable to unitholders	<u>7,144</u>	<u>4,149</u>
<i>Distributions</i>		
Distributions paid	2,326	1,968
Distributions payable	<u>864</u>	<u>665</u>
Distributions paid and payable	<u>3,190</u>	<u>2,633</u>

## **Directors' report (continued)**

### **Significant changes in the state of affairs**

On 23 May 2024, Australian Unity Funds Management Limited announced it will sell its circa A\$2 billion sustainable cash and fixed interest asset management business, Altius Asset Management (Altius) to Australian Ethical (ASX: AEF) and appoint AEF to manage its cash and fixed interest portfolios as well as other funds and mandates managed by Altius. The transaction is expected to complete in the first quarter of financial year 2025, subject to agreed closing conditions. Upon completion, the Altius investment management team, will continue to manage the Scheme as employees of AEF. AEF will also be proposed to be appointed as the Responsible Entity of the Scheme in the period following completion, subject to requisite approvals being received.

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, except those mentioned elsewhere in the report.

### **Events occurring after end of the year**

The directors of the Responsible Entity are not aware of any other matters or circumstance arising since 30 June 2024 which have significantly affected or may significantly affect the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2024 or on the results and cash flows of the Scheme for the year ended on that date.

### **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 year are disclosed in Note 14 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 14 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 any material environmental regulations under Australian law.

### **Rounding of amounts**

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.

## 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.



Rohan Mead  
Director



Esther Kerr  
Director

20 September 2024



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Unity Funds Management Limited, the Responsible Entity for Altius Green Bond Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Altius Green Bond Fund for the financial year ended 30 June 2024 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Chris Wooden

Partner

Melbourne

20 September 2024

**Statement of comprehensive income**

	Notes	2024 \$'000	2023 \$'000
<b>Investment income</b>			
Interest income from financial assets at amortised cost	3	417	225
Interest income from financial assets at fair value through profit or loss	3	5,554	4,879
Net foreign exchange loss		(3)	(3)
Net gains/(losses) on financial instruments at fair value through profit or loss		<u>1,837</u>	<u>(298)</u>
<b>Total investment income</b>		<u>7,805</u>	<u>4,803</u>
<b>Expenses</b>			
Management costs	14	587	582
Transaction costs and operating expenses		<u>74</u>	<u>72</u>
<b>Total expenses</b>		<u>661</u>	<u>654</u>
<b>Profit before finance costs attributable to unitholders</b>		<u>7,144</u>	<u>4,149</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	6	(3,190)	(2,633)
Increase in net assets attributable to unitholders	5	<u>(3,954)</u>	<u>(1,516)</u>
<b>Total comprehensive income attributable to unitholders</b>		<u>-</u>	<u>-</u>

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

**Statement of financial position**

	Notes	2024 \$'000	2023 \$'000
<b>Assets</b>			
Cash and cash equivalents	7	9,120	7,321
Receivables	12	84	30
Financial assets at fair value through profit or loss	8	<u>184,598</u>	<u>187,524</u>
<b>Total assets</b>		<u>193,802</u>	<u>194,875</u>
<b>Liabilities</b>			
Distributions payable	6	864	665
Payables	13	45	48
Financial liabilities at fair value through profit or loss	9	<u>299</u>	<u>341</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>1,208</u>	<u>1,054</u>
<b>Net assets attributable to unitholders - liability</b>	5	<u>192,594</u>	<u>193,821</u>

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



**Altius Green Bond Fund**  
**Statement of changes in net assets attributable to unitholders - liability**  
**For the year ended 30 June 2024**

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**Statement of changes in net assets attributable to unitholders - liability**

The Scheme's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*.

	<b>2024</b>	2023
	<b>\$'000</b>	\$'000
<b>Balance at the beginning of the year</b>	<b>193,821</b>	193,641
Profit before finance costs attributable to unitholders	<b>7,144</b>	4,149
Distributions to unitholders	<b>(3,190)</b>	(2,633)
Applications	<b>31,481</b>	17,140
Redemptions	<b>(38,116)</b>	(19,435)
Units issued upon reinvestment of distributions	<b>1,454</b>	959
	<b>192,594</b>	193,821
<b>Balance at the end of the year</b>	<b>192,594</b>	193,821

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

**Statement of cash flows**

	Notes	2024 \$'000	2023 \$'000
<b><i>Cash flows from operating activities</i></b>			
Proceeds from sale of financial instruments at fair value through profit or loss		<b>89,619</b>	74,420
Payments for purchase of financial instruments at fair value through profit or loss		<b>(84,898)</b>	(89,485)
Interest received		<b>5,918</b>	5,083
GST received		<b>35</b>	36
Management costs paid		<b>(626)</b>	(616)
Transaction and operating costs paid		<u><b>(74)</b></u>	<u>(72)</u>
<b>Net cash inflows/(outflows) from operating activities</b>	15(a)	<u><b>9,974</b></u>	<u>(10,634)</u>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from applications by unitholders		<b>31,481</b>	17,140
Payments for redemptions by unitholders		<b>(38,116)</b>	(19,435)
Distributions paid to unitholders		<u><b>(1,537)</b></u>	<u>(1,009)</u>
<b>Net cash outflows from financing activities</b>		<u><b>(8,172)</b></u>	<u>(3,304)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		<b>7,321</b>	21,262
Effect of foreign currency exchange rate changes on cash and cash equivalents		<u><b>(3)</b></u>	<u>(3)</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><b>9,120</b></u>	<u>7,321</u>
<b>Non-cash operating and financing activities</b>	15(b)	<u><b>1,454</b></u>	<u>959</u>

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

## Notes to the financial statements

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## 1 General information

These financial statements cover Altius Green Bond Fund ("the Scheme") as an individual entity. The Scheme was constituted on 23 August 2016 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.

The financial statements are for the financial year from 1 July 2023 to 30 June 2024.

The financial statements were authorised for issue by the directors of the Responsible Entity on 20 September 2024.

## 2 Summary of material accounting policies

The material 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.

### (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*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

The application of the following amended accounting standards has no impact to the amounts reported in the Schemes financial statements:

AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates

#### *(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 2024 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.

## 2 Summary of material accounting policies (continued)

### (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.

Derivatives are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Scheme's business model's objective. Consequently, the debt securities 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.

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 recognises all financial instruments at 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.

## 2 Summary of material accounting policies (continued)

### (b) Financial instruments (continued)

#### *(iii) Measurement (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 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. This difference is recognised over time and only after initial recognition.

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.

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

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

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

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

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Scheme is required to distribute its distributable income, in accordance with the Scheme's Constitution.

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 does not satisfy the equity criteria under AASB 132 *Financial Instruments: Presentation*.

## 2 Summary of material accounting policies (continued)

### (d) Cash and cash equivalents

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

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

### (e) Investment income

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

Net gains/(losses) on financial assets and financial liabilities 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 management costs, 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 as unitholders are presently entitled to the income of the Scheme.

Financial instruments 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 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.

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

### **(k) Receivables**

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

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.

### **(l) Payables**

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

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

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

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

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

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

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

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

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

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

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

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

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



## 2 Summary of material accounting policies (continued)

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

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

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

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

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

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

### (p) 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 structured entities, and therefore are not consolidated.

### (q) Rounding of amounts

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 financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, where indicated.

## 3 Interest income

	2024 \$'000	2023 \$'000
Fixed interest securities	5,554	4,879
Cash and deposits	<u>417</u>	<u>225</u>
<b>Total interest income</b>	<b><u>5,971</u></b>	<b><u>5,104</u></b>

## 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:

	2024 \$	2023 \$
<b>Audit services - KPMG (2023: PwC)</b>		
Audit and review of financial statements	16,889	16,200
Audit of compliance plan	<u>3,000</u>	<u>4,917</u>
<b>Total auditor's remuneration</b>	<b><u>19,889</u></b>	<b><u>21,117</u></b>

## 5 Net assets attributable to unitholders - liability

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 two classes of unitholders in the Scheme being Ordinary and Retail.

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

	2024 No. '000	2023 No. '000	2024 \$'000	2023 \$'000
<b>Opening balance</b>	<b>221,610</b>	223,040	<b>193,821</b>	193,641
<b>Ordinary Class</b>				
Applications	35,688	19,281	31,481	17,040
Redemptions	(43,038)	(21,790)	(38,116)	(19,321)
Units issued upon reinvestment of distributions	1,635	1,094	1,452	958
	<u>(5,715)</u>	<u>(1,415)</u>	<u>(5,183)</u>	<u>(1,323)</u>
<b>Retail Class</b>				
Applications	-	112	-	100
Redemptions	-	(128)	-	(114)
Units issued upon re-investment of distributions	2	1	2	1
	<u>2</u>	<u>(15)</u>	<u>2</u>	<u>(13)</u>
Increase in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>3,954</u>	<u>1,516</u>
<b>Closing Balance</b>	<u><b>215,897</b></u>	<u>221,610</u>	<u><b>192,594</b></u>	<u>193,821</u>

### Capital risk management

The Scheme considers its net assets attributable to unitholders - liability as capital, notwithstanding that 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.

## 6 Distributions to unitholders

The distributions for the year were as follows:

	2024 \$'000	2024 CPU	2023 \$'000	2023 CPU
<b>Distributions - Ordinary and Retail Class</b>				
30 September	779	0.3500	660	0.3000
31 December	665	0.3000	662	0.3000
31 March	882	0.4000	646	0.3000
30 June (payable)	864	0.4000	665	0.3000
	<u>3,190</u>		<u>2,633</u>	
<b>Total distributions</b>	<u><b>3,190</b></u>		<u>2,633</u>	

## 7 Cash and cash equivalents

	2024 \$'000	2023 \$'000
Cash at bank	7,746	5,738
Deposits held with brokers	<u>1,374</u>	<u>1,583</u>
<b>Total cash and cash equivalents</b>	<u><b>9,120</b></u>	<u>7,321</u>

## 8 Financial assets at fair value through profit or loss

	2024 \$'000	2023 \$'000
Derivatives	177	63
Fixed interest bonds	168,071	161,668
Asset backed securities	6,315	6,152
Floating rate notes	10,035	19,641
<b>Total financial assets at fair value through profit or loss</b>	<b>184,598</b>	<b>187,524</b>

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

	2024 \$'000	2023 \$'000
Derivatives	299	341
<b>Total financial liabilities at fair value through profit or loss</b>	<b>299</b>	<b>341</b>

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) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

### (b) 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)

### (c) Swaps

Swaps are derivative instruments in which two counterparties agree to exchange one stream of cash flow against another stream.

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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

	Notional \$'000	Assets \$'000	Liabilities \$'000
<b>2024</b>			
Futures	34,595	67	136
Swaps	(31,880)	-	163
Forward foreign exchange contracts	<u>118</u>	<u>110</u>	<u>-</u>
		<u>177</u>	<u>299</u>
	Notional \$'000	Assets \$'000	Liabilities \$'000
<b>2023</b>			
Futures	68,175		341
Forward foreign exchange contracts	<u>42</u>	<u>63</u>	
		<u>63</u>	<u>341</u>

## 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.

## 11 Financial risk management (continued)

### (b) Market risk (continued)

The overall market exposures at year end were as follows:

	2024 \$'000	2023 \$'000
Derivatives assets	177	63
Derivatives liabilities	(299)	(341)
Securities at fair value through profit or loss	<b>184,421</b>	<b>187,461</b>

#### (i) Price risk

There is no significant direct price risk in the Scheme as at 30 June 2024 (2023: Nil).

#### (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:

	EUR A\$'000
<b>2024</b>	
<b>Assets</b>	
Cash and cash equivalents	103
Receivables	89
Financial assets at fair value through profit or loss	
Fixed interest bonds	<u>7,428</u>
<b>Total assets</b>	<u>7,620</u>
<b>Liabilities</b>	
Financial liabilities at fair value through profit or loss	
Foreign currency contracts	7,390
Futures	<u>68</u>
<b>Total liabilities</b>	<u>7,458</u>
<b>Net assets attributable to unitholders</b>	<u>162</u>

## 11 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Foreign exchange risk (continued)

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	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
AUD/EUR 2024: 10.1% (2023: 10.2%)	16	-	(16)	-

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 2024 and 2023.

#### (iii) Interest rate risk

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

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

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

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

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

	Floating interest rate \$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
<b>2024</b>							
<b>Assets</b>							
Cash and cash equivalents	9,120	-	-	-	-	-	9,120
Receivables	-	-	-	-	-	84	84
Financial assets at fair value through profit or loss							
Futures	-	67	-	-	-	-	67
Forward currency contracts	-	11	-	-	-	-	110
Fixed interest bonds	-	-	4,947	75,050	88,074	-	168,071
Assets backed securities	6,315	-	-	-	-	-	6,315
Floating rate notes	10,035	-	-	-	-	-	10,035
<b>Total assets</b>	<u>25,470</u>	<u>177</u>	<u>4,947</u>	<u>75,050</u>	<u>88,074</u>	<u>84</u>	<u>193,802</u>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	864	864
Payables	-	-	-	-	-	45	45
Financial liabilities at fair value through profit or loss							
Futures	-	136	-	-	-	-	136
Swaps	-	-	-	163	-	-	163
<b>Total liabilities</b>	<u>-</u>	<u>136</u>	<u>-</u>	<u>163</u>	<u>-</u>	<u>909</u>	<u>1,208</u>
<b>Net assets attributable to unitholders</b>	<u>25,470</u>	<u>41</u>	<u>4,947</u>	<u>74,887</u>	<u>88,074</u>	<u>(825)</u>	<u>192,594</u>

## 11 Financial risk management (continued)

### (b) Market risk (continued)

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

2023	Floating interest rate \$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
<b>Assets</b>							
Cash and cash equivalents	5,738	1,583	-	-	-	-	7,321
Receivables	-	-	-	-	-	30	30
Financial assets at fair value through profit or loss							
Forward currency contracts	-	63	-	-	-	-	63
Fixed interest bonds	-	-	22,481	67,219	71,968	-	161,668
Assets backed securities	-	-	-	-	6,152	-	6,152
Floating rate notes	19,641	-	-	-	-	-	19,641
<b>Total assets</b>	<b>25,379</b>	<b>1,646</b>	<b>22,481</b>	<b>67,219</b>	<b>78,120</b>	<b>30</b>	<b>194,875</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	665	665
Payables	-	-	-	-	-	48	48
Financial liabilities at fair value through profit or loss							
Futures	-	341	-	-	-	-	341
<b>Total liabilities</b>	<b>-</b>	<b>341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>713</b>	<b>1,054</b>
<b>Net assets attributable to unitholders</b>	<b>25,379</b>	<b>1,305</b>	<b>22,481</b>	<b>67,219</b>	<b>78,120</b>	<b>(683)</b>	<b>193,821</b>

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

	Impact on net assets attributable to unitholders	
	2024 \$'000	2023 \$'000
Interest rates: +0.76% (2023: +0.70%)	7,158	(7,158)
Interest rates: -0.76% (2023: -0.70%)	(7,158)	7,158

### (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)

### (c) Credit risk (continued)

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

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

	2024 \$'000	2023 \$'000
<b>Australian debt securities rating</b>		
AAA	44,629	28,377
AA+	56,070	64,413
AA-	3,980	3,952
A	4,621	4,579
A-	11,803	8,475
BBB	6,671	25,351
Unrated	18,995	16,653
<b>Total</b>	<b>146,769</b>	<b>151,800</b>
<b>International debt securities rating</b>		
AAA	23,407	28,923
AA+	6,817	6,738
A-	1,855	-
BBB	5,573	-
<b>Total</b>	<b>37,652</b>	<b>35,661</b>

### (d) Concentrations of risk

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

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

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

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

Based on the concentrations of risk that are managed by industry sector and/or counterparty, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2024 and 30 June 2023:

	2024 \$'000	2023 \$'000
New South Wales Treasury Corporation	23,311	31,984
Australian Commonwealth Government	21,807	-
Queensland Treasury Corporation	18,129	17,742
Treasury Corporation of Victoria	13,642	13,706
Housing Australia (formerly National Housing Finance)	9,356	9,856
International Bank for Reconstruction and Development	9,284	-
Australia and New Zealand Banking Corporation	-	9,656
Other	89,069	104,580
<b>Total</b>	<b>184,598</b>	<b>187,524</b>
	2024 \$'000	2023 \$'000
Corporate Bonds	68,753	76,067
Government Bonds	68,468	76,754
Floating Rate Notes	10,035	19,641
Asset Backed Securities	6,315	6,152
Commonwealth Bonds	30,850	8,846
Other	177	64
<b>Total</b>	<b>184,598</b>	<b>187,524</b>



## 11 Financial risk management (continued)

### (e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme 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.

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.

	Under 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Over 12 months \$'000
<b>2024</b>				
<b>Financial liabilities:</b>				
Distributions payable	864	-	-	-
Payables	45	-	-	-
Net assets attributable to unit holders	<u>192,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<b><u>193,503</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Futures	-	-	-	-
Swaps	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Under 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Over 12 months \$'000
<b>2023</b>				
<b>Financial liabilities:</b>				
Distributions payable	665	-	-	-
Payables	48	-	-	-
Net assets attributable to unitholders	<u>193,821</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<b><u>194,534</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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 2024, these assets amounted to \$9,119,716 (2023: \$7,321,006).

## 11 Financial risk management (continued)

### (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 2024 and 30 June 2023, 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.

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.

2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Futures	67	-	-	67
Forward foreign exchange contracts	110	-	-	110
Fixed interest bonds	-	168,071	-	168,071
Asset backed securities	-	6,315	-	6,315
Floating rate notes	-	10,035	-	10,035
<b>Total financial assets</b>	<b>177</b>	<b>184,421</b>	<b>-</b>	<b>184,598</b>
<b>Financial liabilities</b>				
Futures	(136)	-	-	(136)
Swaps	(163)	-	-	(163)
<b>Total financial liabilities</b>	<b>(299)</b>	<b>-</b>	<b>-</b>	<b>(299)</b>
2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Forward foreign exchange contracts	63	-	-	63
Fixed interest bonds	-	161,668	-	161,668
Asset backed securities	-	6,152	-	6,152
Floating rate notes	-	19,641	-	19,641
<b>Total financial assets</b>	<b>63</b>	<b>187,461</b>	<b>-</b>	<b>187,524</b>
<b>Financial liabilities</b>				
Futures	(341)	-	-	(341)
<b>Total financial liabilities</b>	<b>(341)</b>	<b>-</b>	<b>-</b>	<b>(341)</b>

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

## 11 Financial risk management (continued)

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

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 2023: Nil).

## 12 Receivables

	2024 \$'000	2023 \$'000
Interest receivable	74	21
GST receivable	10	9
<b>Total receivables</b>	<u>84</u>	<u>30</u>

## 13 Payables

	2024 \$'000	2023 \$'000
Management costs payable	45	48
<b>Total payables</b>	<u>45</u>	<u>48</u>

## 14 Related party transactions

### Responsible Entity

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

### Key management personnel

#### (a) Directors

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

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

#### (b) Other key management personnel

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

#### (c) Remuneration

No payments were made from the fund to the directors for the year ended 30 June 2024.

### 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.

## 14 Related party transactions (continued)

### Management costs and other transactions

Management costs include management fees and other expenses or reimbursements deducted in relation to the Scheme, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the 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:

	2024	2023
	\$	\$
Management costs for the year paid by the Scheme to the Responsible Entity	<u>586,746</u>	<u>582,243</u>
Aggregate amounts payable to the Responsible Entity at the end of the year	<u>45,266</u>	<u>48,229</u>

### Related party scheme's unitholdings

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

2024 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 \$
Altius Sustainable Bond Fund	74,072,735	71,022,697	63,657,643	32.91	1,106,116	(4,156,154)	1,043,499
Australian Unity Health Limited	29,282,979	-	-	-	100,341	(29,383,320)	-
LP Taxminimiser Funeral Bond Fund	-	15,669,064	14,044,182	7.26	17,446,694	(1,777,630)	237,414
Australian Unity Trustees	-	11,936,182	10,698,400	5.53	12,932,403	(996,221)	163,149
Diversified Common Fund 2	5,078	2,790,355	2,501,029	5.60	2,934,138	(148,861)	35,360
Other Related Parties	<u>103,360,792</u>	<u>101,418,298</u>	<u>90,901,254</u>	<u>51.30</u>	<u>34,519,692</u>	<u>(36,462,186)</u>	<u>1,479,422</u>
2023 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 \$
Altius Sustainable Bond Fund	83,574,515	74,072,735	65,043,268	33.44	763,152	(10,264,932)	891,043
Australian Unity Health Limited	23,176,788	29,282,979	25,713,384	13.22	17,268,879	(11,162,688)	332,347
Other Related Parties	5,031	5,078	4,494	4.31	47	-	57
	<u>106,756,334</u>	<u>103,360,792</u>	<u>90,761,146</u>	<u>50.97</u>	<u>18,032,078</u>	<u>(21,427,620)</u>	<u>1,223,447</u>

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

\*\* Other related parties consists of investors with holdings of less than 5%.

### Investments

The Scheme did not hold any investments in Australian Unity Funds Management Limited or its related parties during the year (2023: Nil).

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

	2024	2023
	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Increase in net assets attributable to unitholders	3,954	1,516
Distributions to unitholders	3,190	2,633
Proceeds from sale of financial instruments at fair value through profit or loss	89,619	74,420
Payments for purchase of financial instruments at fair value through profit or loss	(84,898)	(89,485)
Net (gains)/losses on financial instruments at fair value through profit or loss	(1,837)	298
Net foreign exchange loss	3	3
Net change in receivables	(54)	(21)
Net change in payables	(3)	2
<b>Net cash inflow/(outflow) from operating activities</b>	<u><b>9,974</b></u>	<u><b>(10,634)</b></u>
<b>(b) Non-cash operating and financing activities</b>		
During the year, the following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	<u><b>1,454</b></u>	<u><b>959</b></u>

## 16 Events occurring after end of year

The directors of the Responsible Entity are not aware of any other 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 2024 or on the results and cash flows of the Scheme for the year ended on that date.

## 17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2024 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date.
  - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements 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, and
- (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 of the Responsible Entity.



Rohan Mead  
Director



Esther Kerr  
Director

20 September 2024



# Independent Auditor's Report

To the Unitholders of Altius Green Bond Fund:

## Opinion

We have audited the **Financial Report** of Altius Green Bond Fund (the Scheme).

In our opinion, the accompanying **Financial Report** of the Scheme gives a true and fair view, including of the Scheme's financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2024;
- Statement of comprehensive income, Statement of changes in net assets attributable to unitholders - liability, and Statement of cash flows for the year then ended;
- Notes, including material accounting policies; and
- Directors' Declaration.

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Other Information

Other Information is financial and non-financial information in the Scheme's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Australian Unity Funds Management Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date



of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Scheme, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Scheme, and that is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

Chris Wooden

Partner

Melbourne

20 September 2024