



Australian Unity Investments Vianova Core Plus Trust  
Annual Report – 30 June 2010



**ARSN 123 067 756**

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These financial statements cover Australian Unity Investments Vianova Core Plus Trust as an individual entity.

The Responsible Entity of Australian Unity Investments Vianova Core Plus Trust is Australian Unity Funds Management Limited (ABN 60 071 497 115).

The Responsible Entity's registered office is 114 Albert Road, South Melbourne, VIC 3205.

## A message from the Chairman

On behalf of the Directors of Australian Unity Funds Management Limited, I am pleased to present the Annual Report to 30 June 2010 for the Australian Unity Investments Vianova Core Plus Trust.

In a year that saw considerable volatility and uncertainty in both Australian and international markets, the Trust continued to provide investors with regular income, preserve their capital and deliver positive returns.

Overall, the Trust performed broadly in line with the benchmark (UBS Composite Bond Index) for the one-year period to 30 June 2010.

During the year the Trust maintained a conservative strategy, with a higher exposure to Australian fixed interest relative to global securities. It also maintained a positive tilt towards shorter dated fixed income securities and a defensive stance regarding corporate credit markets and long-dated, interest rate sensitive securities.

### The year in brief

For the second year in a row, global financial markets continued to experience significant volatility and uncertainty. In this environment, many investors continued to turn to the fixed interest sector for security of their capital, regular income and the ability to still achieve positive returns.

Initially, the first half of 2009/10 was characterised by a gradual return of market confidence, as investors believed markets were recovering from the global financial crisis (GFC). As a result, the Reserve Bank of Australia (RBA) raised the official cash interest rate six times during the 2009/10 financial year to 4.5%. The last official rate rise was in May 2010.

However, as the 2010 year began, global investor confidence was increasingly shaken by concerns over the national balance sheet of Greece and its affect on the broader 'Euro-zone'. This followed news in October 2009 of similar debt problems in Dubai. Fears that Greece's debt problems could extend to other European Union (EU) members became one of the dominant factors in international markets and, elsewhere, the run of positive economic results coming out of the US was broken by a disappointing unemployment report in May.

As a result, by the 30 June 2010, both international and Australian sharemarkets witnessed significant declines from the year's highs in April 2010.



### Looking ahead

At the close of the financial year it seemed that volatile investment conditions in broader international and Australian markets would persist for some time. For the Trust, this is likely to continue to favour conservative investment strategies.

Expectations for Australian Government bonds generally reflect an official cash rate of 4.50% to the end of 2010, and have not yet built in the potential for rate reductions.

Looking ahead, the Trust will maintain its high exposure to Australian fixed interest, relative to global securities. To this end, the Trust has revised its allowable asset allocation ranges for Australian fixed interest to 50 – 100% (from 50 – 90%) and for international fixed interest to 0 –50% (from 10 – 50%).

Further, the Australian fixed interest sub-portfolio will maintain its tilt towards capital stability under a scenario of higher long-term bond yields and a deteriorating corporate credit environment.

To stay up-to-date with information about your investment, I encourage you to visit our website – [australianunityinvestments.com.au](http://australianunityinvestments.com.au) – or speak with a member of our Investors Services team by calling **13 29 39**.

Thank you for investing with Australian Unity Investments.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Alan Castleman'.

Alan Castleman  
Chairman

## Your investment – Vianova Core Plus Trust

at 30 June 2010

### Investment objective

The Australian Unity Investments Vianova Core Plus Trust aims to preserve capital and deliver positive returns across all market cycles using a distinctive benchmark unaware investment approach.

### Investment strategy

The Trust invests in a blended portfolio of Australian and global fixed interest securities, via two underlying funds: the Vianova Strategic Fixed Interest Trust and the Mellon Global Bond Fund.

Investment performance				
	6 months %	1 year %	2 years % p.a.	3 years % p.a.
<b>Retail return</b>	3.60	6.55	7.31	N/A
<b>Wholesale return</b>	3.86	7.08	7.75	8.27

Returns are calculated after fees and expenses (excluding any entry fees) and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

Quick stats	
<b>Inception</b>	8 December 2006
<b>Trust size</b> (net asset value)	\$102.49m
<b>Income distributions</b>	Quarterly

### How Vianova invest

The starting point of Vianova's investment process is to identify structural interest rate themes. Each theme is then applied to the fixed interest market elements:

- duration
- yield curve position, and
- sector exposure.

Vianova then identifies and analyses the pricing inefficiencies and opportunities that these strategies present.

The portion of the Fund's portfolio in the Australian Unity Investments Strategic Fixed Interest Trust invests in a range of Australian fixed interest securities, including Government, corporate, bank and other bonds; debentures, notes and other debt related securities; derivatives and cash.

To gain global exposure, the portion of the Fund's portfolio in the Mellon Global Bond Fund invests in a similar range of securities and financial instruments traded across global markets.

Portfolio credit rating (%)			
Credit rating	Australian %	Global %	Combined %
AAA	70	78	71
AA	25	8	23
A	4	9	5
BBB	1	4	1
Not rated	0	1	

Asset allocation		
Asset class	Range %	Actual %
Australian fixed interest (including cash)	50 – 100	88.01
Global fixed interest (including currency)	0 – 50	11.99

## Directors' Report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Investments Vianova Core Plus Trust, present their report together with the financial statements of Australian Unity Investments Vianova Core Plus Trust ("the Scheme") for the year ended 30 June 2010 ("the reporting period").

### Directors

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

Alan Castleman (Chairman)  
David Bryant (Group Executive-Investments and Chief Investment Officer)  
Rohan Mead (Group Managing Director)  
Glenn Barnes (Non-Executive Director) (appointed 11 January 2010)  
Ian Ferres (Non-Executive Director)  
Stephen Maitland (Non-Executive Director)  
Warren Stretton (Non-Executive Director)  
Anthony Connon (Chief Financial Officer)  
Bruce Siney (Non-Executive Director) (ceased 27 October 2009)

### Principal activities

The Scheme offers investors exposure to both Australian and global fixed interest securities with the aim to provide attractive and regular income, and to preserve capital.

The investment manager applies a global view to the management of the portfolio, recognising that global economies and events have an impact on the relative value of both foreign and domestic fixed interest securities.

The investment managers focus on delivering positive returns to investors regardless of the performance of the broader fixed interest market (index).

The Scheme's assets are managed by Vianova Asset Management Pty Ltd (Australian Unity owns 50% of Vianova Asset Management Pty Ltd).

### Review and results of operations

For the reporting period ended 30 June 2010 the Scheme's retail units posted a total return of 6.55% (split between a distribution return of 3.77% and a growth return of 2.78%). The wholesale units posted a total return of 7.08% (split between a distribution return of 4.33% and a growth return of 2.75%).

Unit prices (ex distribution) as at 30 June 2010 (2009) are as follows:

Retail units \$1.0316 (\$1.0037)

Wholesale units \$1.0474 (\$1.0194)

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

	<b>For the year ended</b>	
	<b>30 June</b>	30 June
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Profit/(loss) before finance costs attributable to unitholders	<b>6,920</b>	7,063
<i>Distributions - retail</i>		
Distribution paid and payable	<b>3</b>	2
<i>Distributions - wholesale</i>		
Distribution paid and payable	<b>4,216</b>	6,575

## Directors' Report (continued)

### Significant changes in state of affairs

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

### Events occurring after the reporting period

Except as disclosed in note 14 in the financial statements, no other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

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

### Likely developments and expected results of operations

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

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

### Indemnification and insurance of officers and auditors

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

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

Fees paid to the Responsible Entity and its associates out of Scheme property during the reporting period are disclosed in note 12 of the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 12 of the financial statements.

### Units in the Scheme

The movement in units on issue in the Scheme during the reporting period is disclosed in note 6 of the financial statements.

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

### Environmental regulation

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

### Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

## Directors' Report (continued)

### Auditor's independence declaration

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

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



Director



Director  
13 September 2010

## Auditor's Independence Declaration to the Directors of Australian Unity Funds Management Limited, as Responsible Entity for Australian Unity Investments Vianova Core Plus Trust

In relation to our audit of the financial report of Australian Unity Investments Vianova Core Plus Trust for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



AJ (Tony) Johnson  
Partner  
Melbourne

13 September 2010

## Statement of comprehensive income

		For the year ended	
		30 June	30 June
		2010	2009
	Notes	\$'000	\$'000
<b>Investment income</b>			
Interest income		42	55
Distribution income	3	3,739	7,294
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	2,681	703
Net realised gains/(losses) on foreign currency transactions		546	(871)
Other income		620	509
<b>Total investment income/(loss)</b>		<u>7,628</u>	<u>7,690</u>
<b>Expenses</b>			
Responsible Entity's fees	12	<u>708</u>	<u>627</u>
<b>Total expenses</b>		<u>708</u>	<u>627</u>
<b>Profit/(loss) before finance costs attributable to unitholders</b>		<u>6,920</u>	<u>7,063</u>
<b>Financing costs attributable to unitholders</b>			
Distributions to unitholders	7	4,219	6,577
Increase/(decrease) in net assets attributable to unitholders	6	2,701	486
Other comprehensive income for the reporting period attributable to unitholders		-	-
<b>Total comprehensive income for the reporting period 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**

		As at	
	Notes	30 June 2010 \$'000	30 June 2009 \$'000
<b>Assets</b>			
Cash and cash equivalents		1,145	477
Receivables		848	4,429
Financial assets held at fair value through profit or loss	8	113,465	97,254
<b>Total assets</b>		<b>115,458</b>	102,160
 <b>Liabilities</b>			
Distributions payable	7	971	3,442
Payables		63	56
Financial liabilities held at fair value through profit or loss	9	11,938	9,794
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>12,972</b>	13,292
 <b>Net assets attributable to unitholders</b>	6	<b>102,486</b>	88,868

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

Australian Unity Investments Vianova Core Plus Trust  
Statement of changes in net assets attributable to unitholders  
For the reporting period ended 30 June 2010

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

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
<b>Net assets attributable to unitholders at the beginning of the reporting period</b>	<b>88,868</b>	88,397
Profit/(loss) before finance costs attributable to unitholders	<b>6,920</b>	7,063
Distributions to unitholders	<b>(4,219)</b>	(6,577)
Application for units	<b>9,053</b>	5,306
Redemption of units	<b>(4,526)</b>	(10,422)
Units issued upon re-investment of distributions	<b>6,390</b>	5,101
<b>Net assets attributable to unitholders at the end of the reporting period</b>	<b><u>102,486</u></b>	<u>88,868</u>

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

## Statement of cash flows

	For the year ended	
	30 June	30 June
	2010	2009
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	4,992	19,881
Purchase of financial instruments held at fair value through profit or loss	(8,499)	(15,600)
Interest received	42	55
Other income received	611	510
Responsible Entity's fees paid	(708)	(635)
RITC received	6	10
<b>Net cash inflow/(outflow) from operating activities</b>	<u>13(a) (3,556)</u>	<u>4,221</u>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	9,051	5,305
Payments for redemptions by unitholders	(4,526)	(10,421)
Distributions paid	(301)	(68)
<b>Net cash inflow/(outflow) from financing activities</b>	<u>4,224</u>	<u>(5,184)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>668</b>	<b>(963)</b>
Cash and cash equivalents at the beginning of the reporting period	<u>477</u>	<u>1,440</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	<u>13(b) 1,145</u>	<u>477</u>

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

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## 1 General information

These financial statements cover Australian Unity Investments Vianova Core Plus Trust ("the Scheme") as an individual entity. The Scheme was constituted on 8th December 2006.

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

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the period from 1 July 2009 to 30 June 2010 ("the reporting period").

The financial statements were authorised for issue by the directors on 13 September 2010. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all reporting periods presented, unless otherwise stated.

### (a) Basis of preparation

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

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 twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of the reporting period cannot be reliably determined.

#### *Compliance with International Financial Reporting Standards*

The financial statements of the Scheme comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This financial statement is presented in the local reporting currency being Australian dollars.

#### **AASB 101 (revised) Presentation of Financial Statements**

The Scheme has applied the revised standard which became effective from 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Scheme had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

#### **AASB 7 Improving Disclosures about Financial Instruments (Amendments to AASB 7 Financial Instruments: Disclosures)**

The Scheme has applied the amendment to the standard which became effective from 1 January 2009. The amendment expands the disclosures required in respect of fair value measurements and liquidity risk. The Scheme has elected not to provide comparative information for these expanded disclosures in the current reporting period.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (i) Classification

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

- *Financial instruments held for trading*

These may include derivative financial instruments such as futures, forward contracts, options and interest rate swaps. The Scheme does not designate any derivatives as hedges in a hedging relationship.

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

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

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

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

- *Loans and receivables/payables comprise amounts due to or from the Scheme*

#### (ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

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

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

#### (iii) Measurement

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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

- *Fair value in an active market*

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

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 statement of financial position date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the most appropriate option valuation model.

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

### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when 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.

### (c) Net assets attributable to unitholders

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

### (d) Cash and cash equivalents

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

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

### (e) Investment income

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

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

## 2 Summary of significant accounting policies (continued)

### (e) Investment income (continued)

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

### (f) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals 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 held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits 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) Receivables

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

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

### (k) Payables

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

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

## 2 Summary of significant accounting policies (continued)

### (k) Payables (continued)

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

### (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)

The GST incurred on the costs of various services provided to the Scheme by third parties such as Responsible Entity's fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence Responsible Entity's fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (n) Use of estimates

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting period. 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.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### (o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

(i) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 5, 8, 101, 107, 117, 118, 136 and 139] (effective from 1 July 2010)

In May 2009 the AASB issued a number of improvements to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Scheme will apply the revised Standards from 1 July 2010. The Scheme does not expect that any adjustments will be necessary as a result of applying the revised rules.

## 2 Summary of significant accounting policies (continued)

### (o) New accounting standards and interpretations (continued)

(ii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)*

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains/(losses) on debt investments, for example, will therefore have to be recognised directly in the statement of comprehensive income. The Scheme does not expect any significant impact on the Scheme's financial statements arising from an adoption of the Standard.

(iii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective from 1 January 2011. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amendment will not have any effect on the Scheme's financial statements.

(iv) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010/1 January 2011)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Scheme will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

(v) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)*

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Scheme has public accountability as defined in AASB 1053 and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Scheme.

### (p) Rounding of amounts

The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

## 3 Distribution income

	For the year ended	
	30 June 2010	30 June 2009
	\$'000	\$'000
Related unlisted managed investment schemes	3,739	7,294
	3,739	7,294

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

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Net unrealised gains/(losses) on financial instruments held for trading	<u>200</u>	<u>(54)</u>
Net unrealised gains/(losses) on financial instruments designated at fair through profit or loss	<u>2,430</u>	<u>536</u>
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	<u>51</u>	<u>221</u>
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b><u>2,681</u></b>	<b><u>703</u></b>

#### 5 Auditor's remuneration

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

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

	For the year ended	
	30 June 2010 \$	30 June 2009 \$
<b>(a) Audit services</b>		
<b>Audit services</b>		
Audit and review of financial reports	<u>9,710</u>	<u>7,000</u>
Total remuneration for audit services	<b><u>9,710</u></b>	<b><u>7,000</u></b>
<b>(b) Non-audit services</b>		
<b>Taxation services</b>		
Tax fees	<u>2,617</u>	<u>2,250</u>
Total remuneration for taxation services	<b><u>2,617</u></b>	<b><u>2,250</u></b>

## 6 Net assets attributable to unitholders

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

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are two classes of unitholders in the Scheme being retail and wholesale.

	For the year ended			
	30 June 2010 No. '000	30 June 2009 No. '000		
<b>Opening balance</b>	<b>87,165</b>	87,311	<b>88,868</b>	88,397
<b>Net assets attributable to unitholders - retail</b>				
Applications	-	47	-	49
Redemptions	(1)	-	(1)	-
Units issued upon re-investment of distributions	3	-	4	-
	<u>2</u>	<u>47</u>	<u>3</u>	<u>49</u>
<b>Net assets attributable to unitholders - wholesale</b>				
Applications	8,804	4,925	9,053	5,257
Redemptions	(4,399)	(10,027)	(4,525)	(10,422)
Units issued upon re-investment of distributions	6,236	4,909	6,386	5,101
	<u>-</u>	<u>-</u>	<u>2,701</u>	<u>486</u>
Increase/(decrease) in net assets attributable to unitholders	<u>10,641</u>	<u>(193)</u>	<u>13,615</u>	<u>422</u>
<b>Closing balance</b>	<u><b>97,808</b></u>	<u>87,165</u>	<u><b>102,486</b></u>	<u>88,868</u>

### Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

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

## 7 Distributions to unitholders

### Timing of distributions

The distributions for the reporting period were as follows:

	For the year ended			
	30 June 2010 \$'000	30 June 2010 CPU	30 June 2009 \$'000	30 June 2009 CPU
<b>Distributions - retail</b>				
30 September	-	0.9549	-	-
31 December	1	0.9740	-	-
31 March	1	0.9753	-	-
30 June (payable)	<u>1</u>	<u>0.7719</u>	<u>2</u>	<u>3.8504</u>
	<u>3</u>		<u>2</u>	
<b>Distributions - wholesale</b>				
30 September	1,060	1.1000	643	0.7500
31 December	1,084	1.1000	1,432	1.7500
31 March	1,102	1.1000	1,060	1.2500
30 June (payable)	<u>970</u>	<u>0.9924</u>	<u>3,440</u>	<u>3.9487</u>
	<u>4,216</u>		<u>6,575</u>	
<b>Total distributions</b>	<u>4,219</u>		<u>6,577</u>	

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

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

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
<b>Held for trading</b>		
Derivatives	<u>12,138</u>	9,739
Total held for trading	<u>12,138</u>	9,739
<b>Designated at fair value through profit or loss</b>		
Related unlisted managed investment schemes	89,087	77,620
Non-related unlisted managed investment schemes	<u>12,240</u>	<u>9,895</u>
Total designated at fair value through profit or loss	<u>101,327</u>	<u>87,515</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>113,465</u>	<u>97,254</u>

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 held at fair value through profit or loss

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
<b>Held for trading</b>		
Derivatives	11,938	9,794
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>11,938</b>	<b>9,794</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
- 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 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 reporting period. The Scheme recognises a gain or loss equal to the change in fair value at the end of each reporting period.

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

## 10 Derivative financial instruments (continued)

30 June 2010

	Contract/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>Buy</b>			
Forward currency contracts	12,138	12,138	-
<b>Sell</b>			
Forward currency contracts	<u>12,138</u>	<u>-</u>	<u>11,938</u>
		<u>12,138</u>	<u>11,938</u>

30 June 2009

	Contract/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>Buy</b>			
Forward currency contracts	9,739	-	9,794
<b>Sell</b>			
Forward currency contracts	<u>9,739</u>	<u>9,739</u>	<u>-</u>
		<u>9,739</u>	<u>9,794</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 and foreign exchange risk), credit risk and liquidity risk.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Product Disclosure Statement 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 ("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.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including fund manager, compliance manager, other key management, Risk and Investment Committees, and ultimately the Board of Directors of the Responsible Entity.

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

### (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.

## 11 Financial risk management (continued)

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

At 30 June 2010, the overall market exposures were as follows:

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Derivative assets held for trading	12,138	9,739
Derivative liabilities held for trading	(11,938)	(9,794)
Securities designated at fair value through profit or loss	101,327	87,515

(i) *Price risk*

Price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment 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 Product Disclosure Statement are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

At 30 June 2010, if the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2010		As at 30 June 2009	
	Increased by 10%	Decreased by 10%	Increased by 10%	Decreased by 10%
<b>Net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)</b>	<b>10,132,716</b>	<b>(10,132,716)</b>	8,751,507	(8,751,507)

(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.

## 11 Financial risk management (continued)

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

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's currency position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other 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.

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

30 June 2010	Australian Dollars A\$'000	US Dollars A\$'000	Total A\$'000
<b>Assets</b>			
Cash and cash equivalents	1,145	-	1,145
Receivables	848	-	848
Financial assets held at fair value through profit or loss			
Designated at fair value through profit or loss			
Related unlisted managed investment scheme	89,087	-	89,087
Non-related unlisted managed investment scheme	-	12,240	12,240
Held for trading			
Forward currency contracts	12,138	-	12,138
<b>Total assets</b>	<u>103,218</u>	<u>12,240</u>	<u>115,458</u>
<b>Liabilities</b>			
Distributions payable	971	-	971
Payables	63	-	63
Financial liabilities held at fair value through profit or loss			
Held for trading			
Forward currency contracts	-	11,938	11,938
<b>Total liabilities</b> (excluding net assets attributable to unitholders)	<u>1,034</u>	<u>11,938</u>	<u>12,972</u>
<b>Net assets attributable to unitholders</b>	<u>102,184</u>	<u>302</u>	<u>102,486</u>

## 11 Financial risk management (continued)

30 June 2009	Australian Dollars A\$'000	US Dollars A\$'000	Total A\$'000
<b>Assets</b>			
Cash and cash equivalents	477	-	477
Receivables	4,429	-	4,429
Financial assets held at fair value through profit or loss			
Designated at fair value through profit or loss			
Related unlisted managed investment scheme	77,620	-	77,620
Non-related unlisted managed investment scheme	-	9,895	9,895
Held for trading			
Forward currency contracts	9,739	-	9,739
<b>Total assets</b>	<u>92,265</u>	<u>9,895</u>	<u>102,160</u>
<b>Liabilities</b>			
Distributions payable	3,442	-	3,442
Payables	56	-	56
Financial liabilities held at fair value through profit or loss			
Held for trading			
Forward currency contracts	-	9,794	9,794
<b>Total liabilities</b> (excluding net assets attributable to unitholders)	<u>3,498</u>	<u>9,794</u>	<u>13,292</u>
<b>Net assets attributable to unitholders</b>	<u>88,767</u>	<u>101</u>	<u>88,868</u>

At 30 June 2010, 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	
	<u>Increase/(decrease) in net assets attributable to unitholders</u>			
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
AUD/USD 2010 10% (2009: 5%)	33,544	5,362	(27,445)	(4,851)

### (iii) Interest rate risk

There was no significant direct interest rate risk in this Scheme as at 30 June 2010 (2009: 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 reporting period.

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

## 11 Financial risk management (continued)

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

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

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

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's credit position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board. All contracts are with counterparties included in the Board's Approved Counterparties list.

### (d) Concentrations of risk

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

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

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

Based on the concentrations of risk that are managed by industry sector and/or counterparty, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2010 and 30 June 2009:

	\$'000
<b>At 30 June 2010</b>	
Unlisted Managed Investment Schemes - wholesale	101,327
	<b>\$'000</b>
<b>At 30 June 2009</b>	
Unlisted Managed Investment Schemes - wholesale	87,515

### (e) Liquidity risk

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

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

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

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

## 11 Financial risk management (continued)

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

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 unitholder's option. However, the Board of Directors 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 compliance manager, other key management personnel, compliance committees and ultimately the Board.

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

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
<b>At 30 June 2010</b>				
Distributions payable	971	-	-	-
Payables	63	-	-	-
Net assets attributable to unitholders	<u>102,486</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<u>103,520</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
<b>At 30 June 2009</b>				
Distributions payable	3,442	-	-	-
Payables	56	-	-	-
Net assets attributable to unitholders	<u>88,868</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<u>92,366</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
<b>At 30 June 2010</b>				
Forward currency contracts				
- Outflow	-	(11,938)	-	-
- Inflow	-	<u>12,138</u>	-	-

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
<b>At 30 June 2009</b>				
Forward currency contracts				
- Outflow	-	(9,794)	-	-
- Inflow	-	<u>9,739</u>	-	-

## 11 Financial risk management (continued)

As disclosed above, the Scheme manages its liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within 7 days or less. Liquid assets include cash and cash equivalents and listed equities. As at 30 June 2010, these assets amounted to \$1,145,209 (2009: \$476,979).

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

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

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

The Scheme values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Scheme relies on information provided by independent pricing services for the valuation of its investments.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

As a result of events in global markets in the past reporting period and the comparative period, liquidity in some investment markets decreased significantly. As a result, the volume of trading in some of the investments held by the Scheme decreased significantly, and accordingly the valuation of those investments is subject to a greater uncertainty and requires greater judgement than would be the case in normal investment market conditions.

### (g) Fair value hierarchy

The Scheme has adopted the amendments to AASB 7, effective 1 July 2009. This requires the Scheme 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

## 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 30 June 2010. The Scheme has elected not to provide comparative information in the current reporting period.

As at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets held for trading:				
Forward currency contracts	-	12,138	-	12,138
Financial assets designated at fair value through profit or loss at inception:				
Related unlisted managed investment schemes	-	89,087	-	89,087
Non-related unlisted managed investment schemes	-	12,240	-	12,240
<b>Total</b>	<u>-</u>	<u>113,465</u>	<u>-</u>	<u>113,465</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Forward currency contracts	-	11,938	-	11,938
<b>Total</b>	<u>-</u>	<u>11,938</u>	<u>-</u>	<u>11,938</u>

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, eg 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. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

## 12 Related party transactions

### Responsible Entity

The Responsible Entity of Australian Unity Investments Vianova Core Plus Trust is Australian Unity Funds Management Limited (ABN 60 071 497 115) whose immediate and ultimate Parent Entity is Australian Unity Limited (ABN 23 087 648 888).

### Key management personnel

#### (a) Directors

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

Alan Castleman (Chairman)  
David Bryant (Group Executive-Investments and Chief Investment Officer)  
Rohan Mead (Group Managing Director)  
Glenn Barnes (Non-Executive Director) (appointed 11 January 2010)  
Ian Ferres (Non-Executive Director)  
Stephen Maitland (Non-Executive Director)  
Warren Stretton (Non-Executive Director)  
Anthony Connon (Chief Financial Officer)  
Bruce Siney (Non-Executive Director) (ceased 27 October 2009)

#### (b) Other key management personnel

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

### Key management personnel unitholdings

From time to time, key management personnel may purchase or subscribe to the various products offered by its related entities. These transactions are on similar terms and conditions as those entered into by other employees or customers and are trivial or domestic in nature.

### Key management personnel compensation

Key management personnel are paid by Australian Unity Funds Management Limited. Payments made from the Scheme to Australian Unity Funds Management Limited do not include any amounts attributable to the compensation of key management personnel.

### Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### Other transactions with 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.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Scheme during the reporting period and there were no material contracts involving key management personnel's interests existing at reporting period end.

## 12 Related party transactions (continued)

### Responsible Entity's fees and other transactions

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

	30 June 2010 \$	30 June 2009 \$
Responsible Entity fees for the reporting period paid by the Scheme to the Responsible Entity	<u>707,844</u>	<u>627,003</u>
Fees earned by the Responsible Entity in respect of investments by the Scheme in other schemes managed by the Responsible Entity	<u>620,320</u>	<u>509,098</u>
Aggregate amounts payable to/(receivable from) to the responsible entity at the end of the reporting period	<u>8,034</u>	<u>11,158</u>

### Related party unitholdings

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

#### 30 June 2010

Unitholder	Interest held (%)	Number of units held opening (Units)	Number of units acquired (Units)	Number of units disposed (Units)	Number of units held closing (Units)	Distributions paid/payable by the Scheme (\$)
Australian Unity Health Limited	-	215	13	228	-	13

#### 30 June 2009

Unitholder	Interest held (%)	Number of units held opening (Units)	Number of units acquired (Units)	Number of units disposed (Units)	Number of units held closing (Units)	Distributions paid/payable by the Scheme (\$)
Australian Unity Health Limited	-	204	11	-	215	15

### Related Entity

Vianova Asset Management Pty Ltd is a related entity.

## 12 Related party transactions (continued)

### Investments

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

	Fair value of investment		Interest held		Distributions received/receivable	
	2010 \$	2009 \$	2010 %	2009 %	2010 \$	2009 \$
Australian Unity Investments Strategic Fixed Interest Trust	<b>89,086,682</b>	77,619,567	<b>14.22</b>	27.52	<b>3,739,288</b>	7,294,520
	<b>89,086,682</b>	77,619,567			<b>3,739,288</b>	7,294,520

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

For the year ended	
30 June 2010 \$'000	30 June 2009 \$'000

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

Profit/(loss) for the reporting period attributable to unitholders	-	-
Increase/(decrease) in net assets attributable to unitholders	<b>2,701</b>	486
Proceeds from sale of financial instruments held at fair value through profit or loss	<b>4,992</b>	19,881
Purchase of financial instruments held at fair value through profit or loss	<b>(8,499)</b>	(15,600)
Net (gains)/losses on financial instruments held at fair value through profit or loss	<b>(2,681)</b>	169
Net realised gains/(losses) on foreign currency transactions	<b>(546)</b>	-
Net change in accrued income and receivables	<b>3,583</b>	(3,066)
Net change in payables and other liabilities	<b>7</b>	1
Distribution to unitholders	<b>4,219</b>	6,577
Reinvested income	<b>(7,332)</b>	(4,227)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(3,556)</b>	4,221

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

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

Cash and cash equivalents	<b>1,145</b>	477
	<b>1,145</b>	477

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

During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

	<b>6,390</b>	5,101
	<b>6,390</b>	5,101

## 14 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2010 or on the results and cash flows of the Scheme for the reporting period ended on that date.

## **15 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2010 and 30 June 2009.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 32 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 2010 and of its performance, as represented by the results of its operations and cash flows, for the reporting period end on that date; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Scheme's Constitution.

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

13 September 2010

## Independent auditor's report to the unitholders of Australian Unity Investments Vianova Core Plus Trust

We have audited the accompanying financial statement of Australian Unity Investments Vianova Core Plus Trust, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Auditor's Responsibility*

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

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

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

### *Independence*

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

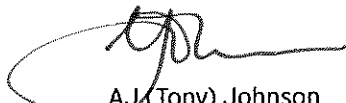
### *Auditor's Opinion*

In our opinion:

1. the financial report of Australian Unity Investments Vianova Core Plus Trust is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Australian Unity Investments Vianova Core Plus Trust at 30 June 2010 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in black ink, appearing to read 'Ernst & Young', positioned above the printed text 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'A.J. Johnson', positioned above the printed text 'A.J. (Tony) Johnson Partner Melbourne'.

A.J. (Tony) Johnson  
Partner  
Melbourne

13 September 2010



## Contact Australian Unity Investments

Call **13 29 39** (Australia-wide or contact your financial adviser)

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