THE TRUST COMPANY BOND FUND

Annual Financial Report for the reporting period ended 30 June 2014
ARSN 093 447 600

THE TRUST COMPANY
Part of Perpetual

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ANNUAL FINANCIAL REPORT FOR THE REPORTING PERIOD ENDED 30 JUNE 2014

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ANNUAL FINANCIAL REPORT FOR THE REPORTING PERIOD ENDED 30 JUNE 2014

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This financial report covers The Trust Company Bond Fund as an individual entity.

The Responsible Entity of The Trust Company Bond Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831). The Responsible Entity's registered office is Level 15, 20 Bond Street, Sydney NSW 2000.

DIRECTORS' REPORT

The directors of The Trust Company (RE Services) Limited ABN 45 003 278 831, the Responsible Entity of The Trust Company Bond Fund, present their report together with the financial statements of The Trust Company Bond Fund ('the Scheme') for the reporting period ended 30 June 2014 ('the reporting period').

The Scheme is an Australian registered managed investment scheme.

Principal activities

The Scheme invests in fixed interest bonds, floating rate notes, mortgage backed securities and mortgages in accordance with the provisions of the Scheme's Constitution.

The Scheme did not have any employees during the reporting period.

There were no significant changes in the nature of the Scheme's activities during the reporting period.

Directors

The names of the directors of the Responsible Entity in the office during the reporting period or the end of the reporting period and up to the date of this report:

Andrew Cannane (Director) (Appointed 31 March 2011)
Christopher Green (Director) (Appointed 7 March 2014)
Gillian Larkins (Director) (Appointed 7 March 2014)
Glenn Foster (Alternate Director to Gillian Larkins) (Appointed 7 March 2014)
Anna O'Sullivan (Alternate Director to Christopher Green) (Appointed 7 March 2014)
David Grbin (Director) (Resigned 7 March 2014)
John Atkin (Director) (Resigned 18 December 2013)
Rupert Smoker (Alternate Director to John Atkin, David Grbin and Andrew Cannane) (Resigned 18 December 2013) (Appointed Director 18 December 2013) (Resigned 7 March 2014)

Review and results of operations

There have been no significant changes to the operations of the Scheme during the reporting period or since the previous financial period. The Scheme continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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

	For the reporting period ended	
	30 June 2014	30 June 2013
Profit before finance costs attributable to unitholders ($'000)	**10,335**	10,718
Distributions paid and payable ($'000)	**10,542**	9,521
Distributions (cents per unit - CPU)	**4.79**	4.92

DIRECTORS' REPORT (continued)

Indirect Cost Ratio (ICR)

The indirect cost ratio (ICR) represents the costs incurred in the running of the Scheme, such as the Management Fee, Expense Reimbursement Fee and the Custody Fee. Costs attributable directly to investors, such as the Transaction Costs are not included in the ICR. The ICR takes into account the net effect of the Goods and Services Tax (GST) and the benefits of Reduced Input Tax Credits (RITC).

The ICR of the Scheme is shown in the following table for the past three years.

	30 June 2014	30 June 2013	30 June 2012
ICR related expenses incurred by the Scheme ($'000)	**1,819**	1,592	1,328
ICR (%)	**0.81**	0.80	0.83

Significant changes in state of affairs

On 28 November 2013 shareholders of The Trust Company Limited (the then ultimate parent of The Trust Company (RE Services) Limited, the Responsible Entity of the fund) voted to accept a proposal from Perpetual Limited for it to acquire 100% of The Trust Company by way of a Scheme of Arrangement. On 18 December 2013, the Scheme of Arrangement was formally implemented and The Trust Company became wholly owned by Perpetual Limited.

As at the 18 June 2014, the Responsible Entity decided to close the Scheme to new applications.

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 (including updates provided by the Responsible Entity) 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 The Trust Company (RE Services) Limited or the auditors of the Scheme. So long as the officers of The Trust Company (RE Services) Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

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

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

Interests in the Scheme

The movements 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 in the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The operations of the Scheme are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

DIRECTORS' REPORT (continued)

Events occurring after the reporting period

Effective from 28 July 2014, the Responsible Entity updated the investment strategy and appointed Perpetual Investment Management Limited, a subsidiary of Perpetual Limited, as investment manager of the Scheme. Further information is available on The Trust Company's website at www.thetrustcompany.com.au.

Except as disclosed in note 14, no matter or circumstance has arisen since 30 June 2014 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.

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 statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors of the Responsible Entity.

On behalf of the Directors

Andrew Cannane
Director

Sydney
24 September 2014

Deloitte Touche Tohmatsu
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The Board of Directors
The Trust Company (RE Services) Limited
Level 15, 20 Bond Street
SYDNEY NSW 2000

24 September 2014

Dear Directors

The Trust Company Bond Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The Trust Company (RE Services) Limited, the responsible entity for The Trust Company Bond Fund.

As lead audit partner for the audit of the financial statements of The Trust Company Bond Fund for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan

Declan O'Callaghan
Partner
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the reporting period ended 30 June 2014 $'000	30 June 2013 $'000
Investment income			
Interest income	3	**11,330**	10,789
Net gains on financial instruments held at fair value through profit or loss	4	**824**	1,521
Other income		**1**	-
Total investment income		**12,155**	12,310
Expenses			
Management fees	12	**1,636**	1,427
Other expenses		**184**	165
Total expenses		**1,820**	1,592
Profit before finance costs attributable to unitholders		**10,335**	10,718
Finance costs attributable to unitholders			
Distributions to unitholders	7	**10,542**	9,521
(Decrease)/increase in net assets attributable to unitholders	6	**(207)**	1,197
Profit/(loss) for the reporting period attributable to unitholders		**-**	-
Other comprehensive income for the reporting period attributable to unitholders		**-**	-
Total comprehensive income for the reporting period attributable to unitholders		**-**	-

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

STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2014 $'000	30 June 2013 $'000
Assets			
Cash and cash equivalents		**16,347**	7,145
Receivables	9	**2,596**	2,410
Financial assets held at fair value through profit or loss	8	**222,314**	205,146
Total assets		**241,257**	214,701
Liabilities			
Distributions payable	7	**3,392**	2,338
Payables	10	**179**	160
Total liabilities (excluding net assets attributable to unitholders)		**3,571**	2,498
Net assets attributable to unitholders - liability	6	**237,686**	212,203

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

STATEMENT OF CHANGES IN EQUITY

	For the reporting period ended	
	30 June 2014 $'000	30 June 2013 $'000
Total equity at the beginning of the reporting period	**-**	-
Profit/(loss) for the reporting period attributable to unitholders	**-**	-
Other comprehensive income for the reporting period attributable to unitholders	**-**	-
Total comprehensive income for the reporting period attributable to unitholders	**-**	-
Transactions with owners in their capacity as owners	**-**	-
Total equity at the end of the reporting period	**-**	-

In accordance with AASB 132 *Financial Instruments: Presentation,* net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the reporting period.

Changes in net assets attributable to unitholders are disclosed in note 6.

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

STATEMENT OF CASH FLOWS

	Notes	For the reporting period ended 30 June 2014 $'000	30 June 2013 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**81,821**	28,542
Purchase of financial instruments held at fair value through profit or loss		**(98,165)**	(65,804)
Interest received		**11,299**	10,749
Other income received		**1**	-
Management fees paid		**(1,721)**	(1,513)
Payment of other expenses		**(210)**	(201)
Reduced input tax credits received		**125**	107
Net cash outflow from operating activities	13(a)	**(6,850)**	(28,120)
Cash flows from financing activities			
Proceeds from applications by unitholders		**47,385**	81,592
Payments for redemptions by unitholders		**(21,867)**	(47,986)
Distributions paid		**(9,466)**	(9,516)
Net cash inflow from financing activities		**16,052**	24,090
Net increase/(decrease) in cash and cash equivalents		**9,202**	(4,030)
Cash and cash equivalents at the beginning of the reporting period		**7,145**	11,175
Cash and cash equivalents at the end of the reporting period	13(b)	**16,347**	7,145

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 The Trust Company Bond Fund ('the Scheme') as an individual entity.

The Responsible Entity of the Scheme is The Trust Company (RE Services) Limited ('the Responsible Entity'). The Responsible Entity's registered office is Level 15, 20 Bond Street, Sydney NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are presented in the Australian currency.

The financial statements are for the period from 1 July 2013 to 30 June 2014 ('the reporting period').

On 28 November 2013 shareholders of The Trust Company Limited (the then ultimate parent of The Trust Company (RE Services) Limited, the Responsible Entity of the Scheme) voted to accept a proposal from Perpetual Limited for it to acquire 100% of The Trust Company Limited by way of a Scheme of Arrangement. On 18 December 2013, the Scheme of Arrangement was formally implemented and The Trust Company Limited became wholly owned by Perpetual Limited.

As at the 18 June 2014, the Responsible Entity decided to close the Scheme to new applications.

The financial statements were authorised for issue by the directors on 24 September 2014. 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 in the following text.

(a) Basis of preparation

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

The Scheme is a for-profit entity for the purposes of preparing the 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 in the statement of financial position 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 where the amount expected to be recovered or settled within twelve months after the end of the reporting period cannot be reliably determined.

Compliance with Australian Accounting Standards and International Financial Reporting Standards

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

New and amended standards adopted by the Scheme

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

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. AASB 13 does not change when an entity is required to use fair value but rather provides guidance on how to measure fair value when it is required or permitted. The application of AASB 13 has not materially impacted the Scheme's financial statements for the reporting period.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

AASB 124 *Related Party Disclosures* was amended whereby the individual key management personnel disclosures are no longer required. Except as disclosed in note 12, no key management personnel held units in the Scheme, received compensation or guaranteed or secured any loans at any time during the reporting period.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

AASB 2012-2 amends AASB 7 *Financial Instruments: Disclosures* requiring expanded disclosures about recognised financial instruments that are currently offset in the statement of financial position and/or are subject to enforceable master netting agreements (or similar) irrespective of whether they are currently offset. Where applicable, the additional disclosures are provided in the notes to the financial statements for the reporting period.

AASB 10 *Consolidated Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting*

Standards arising from the consolidation and Joint Arrangements standards' AASB 10 replaces the parts of AASB 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and Interpretation 112 *Consolidation - Special Purpose Entities*. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee and has control over the investee is relevant to the Scheme. The Scheme does not have any subsidiaries, as such the adoption of this standard does not have any material impact on the financial statements.

AASB 12 *Disclosure of Interest in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*

AASB 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 does not have any material impact on the financial statements.

(b) Financial instruments

(i) Classification

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

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

  These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These include investments in over the counter (OTC) traded debt and commercial paper.

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

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

- *Loans and receivables/payables*

  Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short-term receivables/payables.

(ii) Recognition/derecognition

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

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

- the rights to receive cash flows from the asset have expired
- the Scheme retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement or
- the Scheme has transferred its rights to receive cash flows from the asset and either:

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(a) has transferred substantially all the risks and rewards of the asset or
(b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

(iii) Measurement

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

  Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities 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.

- *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.

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

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

- *Loans and receivables/payables*

  Loans and receivables/payables are measured initially at fair value plus transaction costs.

  Subsequently, loans are carried at amortised cost using the effective interest method, less impairment losses, if any. Short-term receivables/payables are carried at their initial fair values.

  Loan assets are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. If any such indication of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on the asset decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(iv) Offsetting financial instruments

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

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders

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

(d) Cash and cash equivalents

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

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

(e) Investment income

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

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 management fees and custodian 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 benefit of imputation credits and foreign tax paid are passed on to unitholders.

The Scheme currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the statement of comprehensive income.

(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.

2 Summary of significant accounting policies (continued)

(j) Receivables

Receivables may include amounts for reduced input tax credits (RITC), dividends, interest and trust distributions. 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). Amounts are generally received within 30 days of being recorded as receivables.

(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 the end of each reporting period are included in payables.

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

(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 by reference to the net assets of the Scheme divided by the number of units on issue.

(m) Goods and services tax (GST)

Expenses of various services provided to the Scheme by third parties such as custodial services and investment management fees etc are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the expense in the statement of comprehensive income.

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.

(n) Use of judgments and estimates

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

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

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

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

2 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (2009 or 2010 version), AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures*, AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments* and AASB 2014-1 *Amendments to Australian Accounting Standards*, Part E *Financial Instruments* (effective from 1 January 2018)

AASB 9 *Financial Instrument*s addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now introduced revised rules around hedge accounting. The Standard is not applicable until 1 January 2018 but is available for early adoption. The Scheme does not expect this to have a significant impact on the recognition and measurement of the Scheme's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Scheme does not apply hedge accounting. The Scheme does not intend to early adopt AASB 9.

(ii) AASB 2012-3 *Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities* (effective 1 January 2014)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. These amendments are effective from 1 January 2014. The adoption of the amendments will not have a significant impact on the financial statements of the Scheme. The Scheme do not intend to early adopt the amendments.

(iii) AASB 1031 *Materiality*, AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments*, Part B *Materiality* (effective 1 January 2014) and AASB 2014-1 *Amendments to Australian Accounting Standards*, Part C *Materiality* (effective 1 July 2014)

The AASB decided to withdraw AASB 1031. Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations). Part C of AASB 2014-1 deletes references to AASB 1031 in various other Australian Accounting Standards. Once all references to AASB 1031 have been deleted from all Australian Accounting Standards, AASB 1031 will be withdrawn. The adoption of the new rules will not impact the financial statements of the Scheme. Early adoption is not permitted.

(iv) AASB 2014-1 *Amendments to Australian Accounting Standards*, Part A *Annual Improvements 2010-2012 and 2011-2013 Cycles* (effective 1 July 2014)

Part A of AASB 2014-1 makes various amendments and editorial corrections to various Australian Accounting Standards, particularly in relation to the meaning of effective IFRSs and in relation to the clarification of the definition of a related party. The adoption of the amendments will not impact the financial statements of the Scheme.

(v) IFRS 15 *Revenue from Contracts with Customers* (effective 1 January 2017)

The IASB issued IFRS 15 in May 2014. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The AASB’s version of IFRS 15 is expected to supersede (to the extent relevant to the Scheme) AASB 18 *Revenue*. The adoption of the new replacement standard is not expected to have a significant 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, unless otherwise indicated.

3 Interest income

	For the reporting period ended	
	30 June 2014 $'000	30 June 2013 $'000
Cash and deposits	**463**	686
Fixed interest securities	**10,867**	10,103
	11,330	10,789

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

Net gains recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	For the reporting period ended	
	30 June 2014 $'000	30 June 2013 $'000
Net gains on financial instruments designated as at fair value through profit or loss	**824**	1,521
Total net gains on financial instruments held at fair value through profit or loss	**824**	1,521

5 Auditor's remuneration

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

	For the reporting period ended	
	30 June 2014 $	30 June 2013 $
Deloitte Touche Tohmatsu Australian Firm		
Audit and other assurance services		
Audit and review of financial statements	**23,195**	21,581
Audit of compliance plan	**8,288**	8,073
Total remuneration for audit and other assurance services	**31,483**	29,654

6 Net assets attributable to unitholders

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

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

	For the reporting period ended			
	30 June 2014 No. '000	30 June 2013 No. '000	**30 June 2014 $'000**	30 June 2013 $'000
Opening balance	**205,723**	173,375	**212,203**	177,373
Applications	**45,853**	78,226	**47,535**	81,592
Redemptions	**(21,048)**	(45,904)	**(21,867)**	(47,986)
Units issued upon reinvestment of distributions	**21**	26	**22**	27
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**(207)**	1,197
Closing balance	**230,549**	205,723	**237,686**	212,203

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 Distribution to unitholders

The distributions for the reporting period were as follows:

	For the reporting period ended			
	30 June 2014 $'000	**30 June 2014 CPU**	30 June 2013 $'000	30 June 2013 CPU
30 September	**2,453**	**1.20**	2,350	1.30
31 December	**2,061**	**0.96**	2,417	1.29
31 March	**2,636**	**1.16**	2,416	1.19
30 June (payable)	**3,392**	**1.47**	2,338	1.14
Total distributions	**10,542**	**4.79**	9,521	4.92

8 Financial assets held at fair value through profit or loss

	As at 30 June 2014 $'000	30 June 2013 $'000
Designated at fair value through profit or loss		
Fixed interest bonds	**144,515**	123,923
Floating rate notes	**76,268**	70,632
Mortgage backed securities	**531**	6,591
Term deposits	**1,000**	4,000
Total financial assets held at fair value through profit or loss	**222,314**	205,146

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

9 Receivables

	As at 30 June 2014 $'000	30 June 2013 $'000
Unsettled application	**150**	-
Accrued income	**2,400**	2,369
GST receivable	**46**	41
	2,596	2,410

10 Payables

	As at 30 June 2014 $'000	30 June 2013 $'000
Accrued expenses	**179**	160
	179	160

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 interest rate 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 management team of the Responsible Entity 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 and other price risks, and ratings analysis for credit risk.

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

11 Financial risk management (continued)

(b) Market risk

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

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

The sensitivity of the Scheme's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, 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 2014, the overall market exposures were as follows:

	As at	
	30 June 2014 $'000	30 June 2013 $'000
Securities designated at fair value through profit or loss	**222,314**	205,146

(i) Price risk

There was no significant price risk in this Scheme as at 30 June 2014 (2013: Nil), as the majority of the Scheme's assets are in interest bearing securities.

(ii) 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 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 the compliance manager, other key management personnel, compliance and investment 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.

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

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

		Fixed interest rate					
30 June 2014	**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**
Assets							
Cash and cash equivalents	16,347	-	-	-	-	-	16,347
Receivables	-	-	-	-	-	2,596	2,596
Fixed interest bonds	-	4,019	14,294	100,615	25,587	-	144,515
Floating rate notes	76,268	-	-	-	-	-	76,268
Mortgage backed securities	531	-	-	-	-	-	531
Term deposits	-	-	-	1,000	-	-	1,000
Total assets	93,146	4,019	14,294	101,615	25,587	2,596	241,257
Liabilities							
Distributions payable	-	-	-	-	-	3,392	3,392
Payables	-	-	-	-	-	179	179
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	3,571	3,571
Net assets attributable to unitholders - liability*							237,686

*Total net assets attributable to unitholders-liability are non-interest bearing and are payable on demand.

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

30 June 2013	Floating interest rate	Fixed interest rate: 3 months or less	4 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash at bank	7,145	-	-	-	-	-	7,145
Receivables	-	-	-	-	-	2,410	2,410
Fixed interest bonds	-	4,016	13,764	93,298	12,845	-	123,923
Floating rate notes	70,632	-	-	-	-	-	70,632
Mortgage backed securities	6,591	-	-	-	-	-	6,591
Term deposits	-	-	3,000	1,000	-	-	4,000
Total assets	84,368	4,016	16,764	94,298	12,845	2,410	214,701
Liabilities							
Distributions payable	-	-	-	-	-	2,338	2,338
Payables	-	-	-	-	-	160	160
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	2,498	2,498
Net assets attributable to unitholders - liability*							212,203

*Total net assets attributable to unitholders-liability are non-interest bearing and are payable on demand.

At 30 June 2014, if the interest rates had (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:

	As at 30 June 2014		As at 30 June 2013	
	Increased by 25 basis points $'000	**Decreased by 25 basis points $'000**	Increased by 25 basis points $'000	Decreased by 25 basis points $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**(1,055)**	**1,055**	(799)	799

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2014 and 2013.

(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 investments in debt securities and from trading deriviative products. Other credit risk 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, 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.

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.

11 Financial risk management (continued)

(c) Credit risk (continued)

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.

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 Scheme may also invest in unrated assets where a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by that rating agency. In order to monitor the credit quality of the unrated assets, the Investment Manager, on the basis of internal research, may prepare its own shadow ratings for the various instruments for which publicly available credit ratings are not available.

The table below shows the credit quality by class of assets:

	A $'000	**AA- $'000**	**A- $'000**	**Other $'000**	**Total $'000**
At 30 June 2014					
Fixed interest bonds	**22,901**	**29,888**	**31,329**	**60,397**	**144,515**
Floating rate notes	**10,143**	**27,197**	**10,313**	**28,615**	**76,268**
Mortgage backed securities	**-**	**-**	**-**	**531**	**531**

	A+ $'000	AA- $'000	A- $'000	Other $'000	Total $'000
At 30 June 2013					
Fixed interest bonds	22,736	24,996	28,861	47,330	123,923
Floating rate notes	32,850	17,170	3,996	16,616	70,632
Mortgage backed securities	-	-	-	6,591	6,591

Term deposits are held with reputable organisations.

(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.

11 Financial risk management (continued)

(d) Concentrations of risk (continued)

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 2014 and 30 June 2013:

At 30 June 2014	**$'000**
Commonwealth Bank of Australia	**34,909**
Westpac Banking Corporation	**16,927**
National Australia Bank Limited	**11,292**
GE Capital Australia Ltd	**11,270**
Australia & New Zealand Banking Group	**10,728**
Commonwealth Bank of Australia	**9,726**
Rabo Bank Nederlan N.V.	**9,017**
ING Bank (Australia) Ltd	**8,326**
Wesfarmers Limited	**7,807**
Telstra Corp	**7,131**
Bendigo Bank Ltd	**7,054**
Barclays Bank PLC	**6,140**
AMP Bank Limited	**5,852**
Australian Postal Corp	**5,773**
Stockland Trust Group	**5,252**
General Electric Company	**5,245**
Suncorp Group Limited	**5,037**
Queensland Treasury Corporation	**4,555**
Other	**50,273**
Total	**222,314**

At 30 June 2013	$'000
Westpac Banking Corporation	16,837
GE Capital Australia Ltd	10,050
National Australia Bank Limited	9,369
ING Bank (Australia) Ltd	8,339
Lloyds Banking Group PLC	8,267
Barclays Bank PLC	8,201
Wesfarmers Limited	7,609
Australia & New Zealand Banking Group	7,533
Telstra Corp	7,075
General Electric Company	6,822
Commonwealth Bank of Australia	6,700
BNP Paribas	6,083
Suncorp Group Limited	6,077
Colonial Finance Ltd	6,019
Other	90,165
Total	205,146

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.

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

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

Units are redeemed on demand at the unitholders option. However, the 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 and investment 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
At 30 June 2014				
Distribution payable	**3,392**	**-**	**-**	**-**
Payables	**179**	**-**	**-**	**-**
Net asset attributable to unitholders	**237,686**	**-**	**-**	**-**
Total financial liabilities	**241,257**	**-**	**-**	**-**
At 30 June 2013				
Distribution payable	2,338	-	-	-
Payables	160	-	-	-
Net asset attributable to unitholders	212,203	-	-	-
Total financial liabilities	214,701	-	-	-

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. As at 30 June 2014, these assets amounted to $16,346,786 (2013: $7,145,168).

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

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

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

The Scheme's accounting policy on fair value measurement is set out in note 2(b). The methods and assumptions used in the determination of the fair value of each class of financial instruments is also set out in note 2(b).

11 Financial risk management (continued)

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

Note 2(n) outlines further the nature of management's judgments, estimates and assumptions that might have been used in the determination of the fair values of these financial instruments.

(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); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

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

All fair value measurements disclosed are recurring fair value measurements.

At 30 June 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Fixed interest bonds	**-**	**144,515**	**-**	**144,515**
Floating rate notes	**-**	**76,268**	**-**	**76,268**
Mortgage backed securities	**-**	**531**	**-**	**531**
Term deposits	**1,000**	**-**	**-**	**1,000**
Total	**1,000**	**221,314**	**-**	**222,314**

At 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Fixed interest bonds	-	123,923	-	123,923
Floating rate notes	-	70,632	-	70,632
Mortgage backed securities	-	6,591	-	6,591
Term deposits	4,000	-	-	4,000
Total	4,000	201,146	-	205,146

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

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

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

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

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

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

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

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

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

There were no transfers between levels for the reporting period ended 30 June 2014 (2013: Nil).

The following table presents the movement in level 3 instruments as at 30 June 2013 by class of financial instrument.

As at 30 June 2013	Opening balance $'000	Purchases $'000	Sales $'000	Transfers into level 3 $'000	Transfers out of level 3 $'000	Gains/ (losses) recognised in profit or loss $'000	Closing balance $'000	Gains/(losses) included in the statement of comprehensive income for financial assets/liabilities held at the reporting period-end $'000
Mortgages	1,008	-	(1,008)	-	-	-	-	-
Total	1,008	-	(1,008)	-	-	-	-	-

There were no level 3 instruments as at 30 June 2014.

12 Related party transactions

Responsible Entity

The Responsible Entity of The Trust Company Bond Fund is The Trust Company (RE Services) Limited.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of The Trust Company (RE Services) Limited at any time during the reporting period.

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the reporting period:

Name	**Position**
Steven Marsh	General Manager - Group Investment Management

Other transactions within the Scheme

From time to time directors of the Responsible Entity, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

Responsible Entitys/manager's fees and other transactions

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

Expenses in connection with the administration of the Scheme are reimbursed in accordance with the Scheme's Constitution.

The transactions during the reporting period and amounts payable outstanding at the end of the reporting period between the Scheme and the Responsible Entity were as follows:

	As at	
	30 June 2014 $	30 June 2013 $
Management fees for the reporting period paid or payable by the Scheme to the Responsible Entity	**1,635,577**	1,427,180
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	**160,397**	127,244

Related party scheme's unitholdings

Parties related to the Scheme (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited), held units in the Scheme as follows:

30 June 2014 Unitholder	**No. of units held opening (Units)**	**No. of units held closing (Units)**	**Fair value of investment $**	**Interest held %**	**No. of units acquired (Units)**	**No. of units disposed (Units)**	**Distributions paid/payable by the Scheme $**
Trust Philantropy Fund	**45,074,233**	**71,810,829**	**74,093,422**	**31.15**	**26,736,596**	**-**	**2,865,490**

12 Related party transactions (continued)

Related party scheme's unitholdings (continued)

30 June 2013 Unitholder	No. of units held opening (Units)	No. of units held closing (Units)	Fair value of investment $	Interest held %	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Scheme $
Permanent Trustee Company Limited atf CTF15*	98,394,493	-	-	-	4,417,980	102,812,473	1,729,219
Permanent Trustee Company Limited atf CTF18*	45,188,176	-	-	-	3,040,987	48,229,163	622,453
Trust Philanthropy Fund**	-	45,074,233	46,536,289	21.91	45,074,233	-	1,951,784
Total	143,582,669	45,074,233	46,536,289		52,533,200	151,041,636	4,303,456

* During the reporting period, The Trust Company restructured some of the related party schemes. The outcome was the termination of the Permanent Trustee Company Limited CTF15 and Permanent Trustee Company Limited CTF18 funds. Each of these funds held units in the Trust Company Bond Fund and during the restructure the units held in these funds was transferred to the underlying investors directly

**Previously The Trust Company Philanthropy Fund was an investor in the Permanent Trustee Company Limited CTF15, as part of the above restructure this unit holder was transferred to become an investor in The Trust Company Bond Fund

Investments

The Scheme held investments in The Trust Company Cash Fund as follows:

	Fair value of investment		**Interest held**		**Distributions received/receivable**	
	30 June 2014 $	30 June 2013 $	**30 June 2014 %**	30 June 2013 %	**30 June 2014 $**	30 June 2013 $
The Trust Company Cash Fund	**15,826,029**	7,143,168	**4.73**	1.63	**197,566**	260,508

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

	For the reporting period ended	
	30 June 2014 $'000	30 June 2013 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the reporting period attributable to unitholders	**-**	-
(Decrease)/increase in net assets attributable to unitholders	**(207)**	1,197
Proceeds from sale of financial instruments held at fair value through profit or loss	**81,821**	28,542
Purchase of financial instruments held at fair value through profit or loss	**(98,165)**	(65,804)
Net (gains) on financial instruments held at fair value through profit or loss	**(824)**	(1,521)
Net change in receivables and other assets	**(36)**	(45)
Net change in payables and other liabilities	**19**	(10)
Distribution to unitholders	**10,542**	9,521
Net cash (outflow) from operating activities	**(6,850)**	(28,120)
(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	**16,347**	7,145
	16,347	7,145
(c) Non-cash financing activities		
During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**22**	27
	22	27

14 Events occurring after the reporting period

Effective from 28 July 2014, the Responsible Entity updated the investment strategy and appointed Perpetual Investment Management Limited, a subsidiary of Perpetual Limited, as investment manager of the Scheme. Further information is available on The Trust Company's website at www.thetrustcompany.com.au. No other 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 2014 or on the results and cash flows of the Scheme for the reporting period ended on that date.

15 Contingent assets and contingent liabilities and commitments

There are no outstanding contingent assets and contingent liabilities or commitments as at 30 June 2014 and 30 June 2013.

DIRECTORS' DECLARATION

The directors of The Trust Company (RE Services) Limited, the Responsible Entity of The Trust Company Bond Fund, declare that in their opinion:

(a) The financial statements and notes set out on pages 6 to 30 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 2014 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date.

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

(c) the financial statements are in accordance with the Scheme's Constitution.

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

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.303(5) of the *Corporations Act 2001*.

Andrew Cannane
Director

Sydney
24 September 2014

Deloitte.

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Independent Auditor's Report
to the Unitholders of The Trust Company Bond Fund

We have audited the accompanying financial report of The Trust Company Bond Fund, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 6 to 31.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of The Trust Company Bond Fund is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the fund's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 24 September 2014

CONTACT US

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