CCI Asset Management Income Unit Trust

ABN 36 484 293 501

Annual financial statements for the reporting period ended 30 June 2019

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Contents

These financial statements cover CCI Asset Management Income Unit Trust as an individual entity.

The Responsible Entity of CCI Asset Management Income Unit Trust is CCI Asset Management Limited (65 006 685 856). The Responsible Entity's registered office is Level 8, 485 La Trobe Street, Melbourne, VIC 3000.

Directors' report

The directors of CCI Asset Management Limited, the Responsible Entity of CCI Asset Management Income Unit Trust, present their report together with the financial statements of CCI Asset Management Income Unit Trust ("the Scheme") for the year ended 30 June 2019 ("the reporting period").

Responsible Entity

The Responsible Entity of the Scheme is CCI Asset Management Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 8, 485 La Trobe Street, Melbourne, VIC 3000.

Principal activities

The Scheme invests in income producing investments 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 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:

J Dawson (Resigned 22 October 2018)
R Haddock
J Tongs (Resigned 9 April 2019)
J Fitzpatrick
R Scenna (Alternate Director for R Haddock)
Fr Philip Marshall (Appointed 9 April 2019)
Matthew Doquile (Appointed 9 April 2019)

Review and results of operations

There have been no significant changes to the operations of the Scheme during the reporting 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 2019	30 June 2018
Profit/(loss) before finance costs attributable to unitholders ($'000)	2,183	3,333
Distributions paid and payable ($'000)	1,913	2,873
Distributions (cents per unit - CPU)	2.29	3.60

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.

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.

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 CCI Asset Management Limited or the auditors of the Scheme. So long as the officers of CCI Asset Management Limited act in accordance with the Scheme's Constitution and the Law, 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 14 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 14 the financial statements.

Interests in the Scheme

The movements in units on issue in the Scheme during the reporting period are disclosed in note 7 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.

Events occurring after the reporting period

Except as disclosed in note 16 in the financial statements, no other matter or circumstance has arisen since 30 June 2019 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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the director's report. Amounts in the director's report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

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

Joan Fitzpatrick
Director

4 September 2019

Statement of comprehensive income

	Notes	For the reporting period ended 30 June 2019 $'000	30 June 2018 $'000
Investment income			
Interest income	3	**1,795**	2,086
Dividend income		**218**	97
Net gains/(losses) on financial instruments at fair value through profit or loss	4	**307**	181
Other income	5	**268**	1,379
Total investment income		**2,588**	3,743
Expenses			
Management fees		**403**	410
Transaction costs		**1**	-
Other operating expenses		**1**	-
Total expenses		**405**	410
Profit/(loss) before finance costs attributable to unitholders		**2,183**	3,333
Finance costs attributable to unitholders			
Distributions to unitholders	8	**1,913**	2,873
Increase/(decrease) in net assets attributable to unitholders	7	**270**	460
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 2019 $'000	30 June 2018 $'000
Assets			
Cash and cash equivalents		**13,350**	18,898
Receivables	11	**268**	269
Financial assets at fair value through profit or loss	10	**53,243**	41,072
Loan assets - Mortgages	9	**-**	3,230
Total assets		**66,861**	63,469
Liabilities			
Distributions payable	8	**618**	1,823
Payables	12	**107**	3,669
Total liabilities (excluding net assets attributable to unitholders)		**725**	5,492
Net assets attributable to unitholders - liability	7	**66,136**	57,977

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 2019 $'000	30 June 2018 $'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 7.

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 2019 $'000	30 June 2018 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**15,485**	15,125
Purchase of financial instruments at fair value through profit or loss		**(24,118)**	(20,251)
Interest received		**1,792**	1,998
Dividends received		**218**	97
Other income received		**271**	1,371
Management fees paid		**(396)**	(410)
Transaction costs on financial instruments at fair value through profit or loss		**(1)**	-
Net cash inflow/(outflow) from operating activities	15(a)	**(6,749)**	(2,070)
Cash flows from financing activities			
Proceeds from applications by unitholders		**7,045**	3,688
Payments for redemptions by unitholders		**(4,139)**	(5,022)
Distributions paid		**(1,705)**	(1,083)
Net cash inflow/(outflow) from financing activities		**1,201**	(2,417)
Net increase/(decrease) in cash and cash equivalents		**(5,548)**	(4,487)
Cash and cash equivalents at the beginning of the reporting period		**18,898**	23,385
Cash and cash equivalents at the end of the reporting period	15(b)	**13,350**	18,898

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

Contents

1 General information

These financial statements cover CCI Asset Management Income Unit Trust ("the Scheme") as an individual entity. The Scheme was constituted on 16 June 2004. The Scheme invests in equities, money market securities and debt securities in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is CCI Asset Management Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 8, 485 La Trobe Street, Melbourne, VIC 3000.

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 2018 to 30 June 2019 ("the reporting period").

The directors of the Responsible Entity have the power to amend and reissue the financial statements. The financial statements were authorised for issue by the directors on 4 September 2019.

The entity is also registered as a charity in accordance with the Australian Charities and Not-for-profits Commission Act 2012.

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 Scheme's Constitution.

The Scheme is a not-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 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/Amended standards adopted by the Scheme

The Scheme applied the following accounting standard amendments (to the extent that is relevant to the Scheme) which became effective for the first time for the reporting period:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 *Financial Instruments* became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and de-recognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

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

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss ("ECL") impairment model.

AASB 9 has been applied retrospectively by the Scheme without the use of hindsight and it has determined that adoption did not result in a change to the classification or measurement of financial instruments in either the current or prior periods. The Scheme has elected to restate the comparative period presented to comply with AASB 9. The Scheme's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

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

AASB 15 *Revenue from Contracts with Customers* became effective for annual periods beginning on or after 1 January 2018. The adoption of this standard did not have a material impact on the Scheme's accounting policies nor the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Financial instruments

(i) Classification

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

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest.

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

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

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

Assets

The Scheme classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Scheme's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Responsible Entity evaluates the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives such as futures and foreign currency contracts, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

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

The Scheme holds listed equities, listed unit trusts, floating rate notes and convertible notes which had previously been designated at fair value through profit or loss. On adoption of AASB 9 these securities are mandatorily classified as fair value through profit or loss.

For other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Impairment

AASB 9 also introduces a new expected credit loss approach to recognise and measure impairment, which replaces AASB 139's incurred loss approach. AASB 9 requires the Scheme to record an allowance for ECLs for all financial assets not held at fair value through profit or loss.

The ECL approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Scheme expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For receivables, due from brokers, margin accounts and applications receivable, the Scheme has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Scheme has established a provision matrix that is based on the Scheme's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Scheme considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Scheme may also consider a financial asset to be in default when internal or external information indicates that the Scheme is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Scheme.

There was no material impact to the Scheme upon adoption of the ECL requirements of AASB 9.

(iii) 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.

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Scheme has transferred substantially all of the risks and rewards of ownership.

(iv) Measurement

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities 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 financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

Fair value in an active market

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

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

The Scheme's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equity and/or debt securities to listed derivatives, where applicable.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Measurement (continued)

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

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. 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 unlisted unit schemes are recorded at the redemption value per unit as reported by the managers of such schemes.

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

Loans and receivables

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.

(v) Offsetting financial instruments

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

(c) Net assets attributable to unitholders

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

(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.

2 Summary of significant accounting policies (continued)

(e) Investment income

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

Dividend income is recognised on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the 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) Other income

Other income includes recoveries from the Liquidators (CDO) and Franking Credits. Recoveries received from the Liquidators are recognised on receipt basis and the franking credits are recognised on an accrual basis.

(g) Expenses

All expenses, including management fees and reimbursable expenses, are recognised in the statement of comprehensive income on an accruals basis.

(h) Income tax

Under the current tax legislation, the Scheme is not subject to income tax as it is an exempt entity.

(i) 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.

(j) 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.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the Scheme's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

(ii) Transactions and balances

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

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

(l) Receivables

Receivables may include amounts for dividends, trust distributions, 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.

2 Summary of significant accounting policies (continued)

(l) Receivables (continued)

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

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

(m) 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 two 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.

(n) 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.

(o) 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 related expense or cost item.

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

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

(p) Use of judgements and estimates

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(p) Use of judgements and estimates (continued)

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

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

(q) New accounting standards and interpretations

There are no new accounting standards and other authoritative pronouncements that are expected to have a material impact on the Scheme.

(r) ounding of amounts

The Scheme is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

(s) Comparatives

Where relevant, prior year comparatives have been restated to conform with current year presentation.

3 Interest income

	For the reporting period ended	
	30 June 2019 $'000	30 June 2018 $'000
Cash and cash equivalents	**313**	308
Mortgage loans	**89**	209
Covered bonds	**17**	151
Convertible notes	**12**	131
Floating rate notes	**1,364**	1,287
	1,795	2,086

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

	For the reporting period ended	
	30 June 2019 $'000	30 June 2018 $'000
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	**647**	303
Net realised gains/(losses) on financial instruments at fair value through profit or loss	**(340)**	(122)
Total net gains/(losses) on financial instruments at fair value through profit or loss	**307**	181

5 Other income

	For the reporting period ended	
	30 June 2019 $'000	30 June 2018 $'000
Franking credit income	**38**	42
Recoveries from liquidators	**230**	1,337
	268	1,379

Recoveries from liquidators represents recoveries from collateralized debt obligations (CDOs) that were previously written-down.

6 Auditor's remuneration

All fees payable by the Scheme are incorporated within the total management fee charged by the Responsible Entity. A breakdown of Auditor's remuneration for the year are as follows:

	For the reporting period ended	
	30 June 2019 $	30 June 2018 $
Fees Relating to the Audit of Financial statements	**8,701**	8,530
Other services	**3,808**	3,733
Total	**12,509**	12,263

7 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 2019 No. '000	30 June 2018 No. '000	**30 June 2019 $'000**	30 June 2018 $'000
Opening balance	**77,816**	83,362	**57,977**	61,768
Applications	**9,399**	4,954	**7,045**	3,688
Redemptions	**(762)**	(11,376)	**(569)**	(8,591)
Units issued upon reinvestment of distributions	**1,893**	876	**1,413**	652
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**270**	460
Closing balance	**88,346**	77,816	**66,136**	57,977

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.

8 Distributions to unitholders

The distributions for the reporting period were as follows:

	For the reporting period ended			
	30 June 2019 $'000	**30 June 2019 CPU**	30 June 2018 $'000	30 June 2018 CPU
Distributions paid (30 September)	**440**	**0.54**	212	0.24
Distributions paid (31 December)	**452**	**0.56**	417	0.51
Distributions paid (31 March)	**403**	**0.49**	421	0.51
Distributions payable (30 June)	**618**	**0.70**	1,823	2.34
	1,913	**2.29**	2,873	3.60

9 Loan assets - Mortgages

	As at	
	30 June 2019 $'000	30 June 2018 $'000
Mortgage loans	**-**	3,230
	-	3,230

The Scheme had no overdue balances for the reporting period ending 30 June 2019 or 30 June 2018.

10 Financial assets at fair value through profit or loss

	As at	
	30 June 2019 $'000	30 June 2018 $'000
Financial assets at fair value through profit or loss		
Listed equities	**1,152**	1,107
Preference shares - redeemable	**5,385**	1,258
Floating rate notes	**46,401**	34,012
Convertible notes	**305**	3,695
Covered Bonds	**-**	1,000
Total financial assets at fair value through profit or loss	**53,243**	41,072

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 13.

11 Receivables

	As at	
	30 June 2019 $'000	30 June 2018 $'000
Accrued income	**230**	227
Sundry debtors	**38**	42
	268	269

12 Payables

	As at	
	30 June 2019 $'000	30 June 2018 $'000
Accrued expenses	**107**	100
Unsettled redemptions	**-**	3,569
	107	3,669

13 Financial risk management

(a) Objectives, strategies, policies and processes

The Scheme's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk, concentrations of 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 ("the Investment Manager") under policies approved by the Board of Directors of the Responsible Entity ("the Board").

The Scheme use 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, ratings analysis for credit risk and maturity analysis for liquidity 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.

(b) Market risk

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

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

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

At 30 June 2019 and 30 June 2018, the overall market exposures were as follows:

	As at	
	30 June 2019 $'000	30 June 2018 $'000
Financial assets at fair value through profit or loss	**53,243**	41,072
Mortgages - loans	**-**	3,230
	53,243	44,302

13 Financial risk management (continued)

(i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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 2019 and 30 June 2018, 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 2019		As at 30 June 2018	
	Increased by 5%	**Decreased by 5%**	Increased by 5%	Decreased by 5%
	$ '000	**$ '000**	$ '000	$ '000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**312**	**(312)**	96	(96)

The analysis is performed on the same basis for 2019 and 2018.

(ii) Foreign exchange risk

There was no significant direct foreign exchange risk in this Scheme as at 30 June 2019 (2018: Nil).

(iii) Interest rate risk

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

The Scheme's interest-bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Scheme has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The 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 compliance manager, other key management personnel, compliance committees and ultimately the Board.

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

13 Financial risk management (continued)

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:

30 June 2019	Floating interest rate	3 months or less	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	124	13,226	-	-	-	-	13,350
Receivables	-	-	-	-	-	268	268
Financial assets at fair value through profit or loss							
Listed equities	-	-	-	-	-	1,152	1,152
Preference shares - redeemable	-	-	-	-	-	5,385	5,385
Floating rate notes	46,401	-	-	-	-	-	46,401
Convertible notes	-	-	-	-	305	-	305
Total assets	46,525	13,226	-	-	305	6,805	66,861
Liabilities							
Distributions payable	-	-	-	-	-	618	618
Payables	-	-	-	-	-	107	107
Total liabilities(excluding net assets attributable to unitholders)		-	-	-	-	725	725
Net assets attributable to unitholders	46,525	13,226	-	-	305	6,080	66,136

13 Financial risk management (continued)

Interest rate risk (continued)

30 June 2018	Floating interest rate $'000	3 months or less $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	12,428	6,470	-	-	-	-	18,898
Receivables	-	-	-	-	-	269	269
Financial assets at fair value through profit or loss							
Listed equities	-	-	-	-	-	1,107	1,107
Preference shares - redeemable	-	-	-	-	-	1,258	1,258
Floating rate notes	34,012	-	-	-	-	-	34,012
Convertible notes	-	-	-	-	3,695	-	3,695
Covered bonds	1,000	-	-	-	-	-	1,000
Loan assets - Mortgages	-	-	3,230	-	-	-	3,230
Total assets	47,440	6,470	3,230	-	3,695	2,634	63,469
Liabilities							
Distributions payable	-	-	-	-	-	1,823	1,823
Payables	-	-	-	-	-	3,669	3,669
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	5,492	5,492
Net assets attributable to unitholders	47,440	6,470	3,230	-	3,695	(2,858)	57,977

At 30 June 2019 and 30 June 2018, should interest rates have (decreased)/increased 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 2019		As at 30 June 2018	
	Increased by 25 basis points	**Decreased by 25 basis points**	Increased by 25 basis points	Decreased by 25 basis points
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**(14,739)**	**14,775**	(22,098)	22,133

13 Financial risk management (continued)

(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 derivative 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, 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.

The carrying amount of mortgage loans (as disclosed in note 9) best represents the maximum credit exposure as at the reporting date. At 30 June 2019 there was no impairment loss related to mortgage loans.

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.

Apart from any security that might be held in relation to mortgage loans, 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.

Credit quality per class of instrument

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

	AA to A	**-A to -AAA**	**BBB to -BBB**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 30 June 2019					
Floating rate notes	**4,106**	**15,106**	**20,863**	**6,326**	**46,401**

	AA to A	-A to -AAA	BBB to -BBB	Other	Total
	$'000	$'000	$'000	$'000	$'000
At 30 June 2018					
Floating rate notes	7,998	9,576	11,249	5,189	34,012
Covered bonds	-	-	-	1,000	1,000

13 Financial risk management (continued)

(d) Concentrations of risk

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

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

Concentrations of risk are all disclosed below by counterparty for both equity and debt.

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

At 30 June 2019	**%**
Commonwealth Bank of Australia	**12.28**
Financials	**12.28**
Westpac Banking Corporation	**11.40**
Bendigo and Adelaide Bank Limited	**7.64**
Bank of Queensland Limited	**6.61**
AMP Bank	**6.54**
Members Equity Bank Limited	**5.65**
National Australia Bank Limited	**5.31**
Macquarie Bank Limited	**4.89**
QUBE Holdings Ltd	**4.02**
WSO Finance Pty Ltd	**3.87**
The Goldman Sachs Group INC.	**3.78**
Others	**15.73**
Total	**100.00**

As at 30 June 2018	%
National Australia Bank Limited	16.26
UBS AG Australia Branch	10.16
Westpac Banking Corporation	8.87
Commonwealth Bank of Australia	7.94
AMP Bank	7.89
Mortgages	7.29
QUBE Holdings Ltd	4.78
Financials	4.71
Bendigo Bank Ltd	4.69
WSO Finance Pty Ltd	4.66
Rabobank Nederland	3.92
Genworth Global Funding	2.33
Others	16.50
Total	100.00

13 Financial risk management (continued)

(e) Liquidity risk

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

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

The Scheme'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.

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

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

Units are redeemed on demand at the unitholder's option. However, the Board 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.

Maturity analysis for financial liabilities

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

	Less than 1 month $'000	**1-3 months $'000**	**3-12 months $'000**	**More than 12 months $'000**
At 30 June 2019				
Distribution payable	**618**	-	-	-
Accrued expenses	**107**	-	-	-
Net assets attributable to unitholders	**66,136**	-	-	-
Total financial liabilities	**66,861**	-	-	-

	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	More than 12 months $'000
At 30 June 2018				
Distribution payable	1,823	-	-	-
Accrued expenses	3,669	-	-	-
Net assets attributable to unitholders	57,977	-	-	-
Total financial liabilities	63,469	-	-	-

13 Financial risk management (continued)

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

The carrying amounts of all the Scheme's financial assets and financial liabilities at the end of the 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 are also set out in note 2(b).

Note 2(p) outlines further the nature of management's judgements, 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 is 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 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at fair value through profit or loss:				
Listed equities	1,152	-	-	1,152
Preference shares - redeemable	5,385	-	-	5,385
Floating rate notes	2,141	44,260	-	46,401
Convertible notes	305	-	-	305
Tot il	8,983	44,260	-	53,243

13 Financial risk management (continued)

(g) Fair value hierarchy (continued)

At 30 June 2018	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Listed equities	1,107	-	-	1,107
Preference shares - redeemable	1,258	-	-	1,258
Floating rate notes	899	33,113	-	34,012
Convertible notes	3,695	-	-	3,695
Covered bonds	-	1,000	-	1,000
Loan assets - Mortgages	-	-	3,230	3,230
Total	6,959	34,113	3,230	44,302

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 property trusts, preference shares - redeemable and convertible notes.

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 unlisted managed investment schemes and floating rate notes.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain floating rate notes and fixed interest bonds. 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 and 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.

A sensitivity analysis for level 3 positions is not presented as it is deemed that the impact of reasonable changes in level 3 inputs would not be significant.

There were no transfers between levels of fair value hierarchy that have occured at the reporting date.

14 Related party transactions

Responsible Entity

The Responsible Entity of CCI Asset Management Income Unit Trust is CCI Asset Management Limited.

Key management personnel

(a) Directors

Key management personnel include persons who were directors of CCI Asset Management Limited at any time during the reporting period as follows:

J Dawson (Resigned 22 October 2018)
R Haddock
J Tongs (Resigned 9 April 2019)
J Fitzpatrick
R Scenna (Alternate Director for R Haddock)
Fr Philip Marshall (Appointed 9 April 2019)
Matthew Doquile (Appointed 9 April 2019)

No fees were paid out of the Scheme property to the key management personnel of the Scheme during the reporting period.

(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.

Responsible Entity's/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 preparation of accounting records and the maintenance of the unit register 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 end between the Scheme and the Responsible Entity were as follows:

	For the reporting period ended	
	30 June 2019	30 June 2018
	$	$
Management fees for the reporting period paid by the Scheme to the Responsible Entity	402,938	410,467
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	107,173	100,368

Where the Scheme invests into other schemes managed by the Responsible Entity, the Responsible Entity's fee is calculated after rebating fees charged in the underlying schemes. All the outstanding balances are at arm's length and are on commercial terms and conditions.

Related party schemes' unitholdings

Parties related to the Scheme (including CCI Asset Management Limited, its related parties and other schemes managed by CCI Asset Management Limited), held no units in the Scheme.

Investments

The Scheme did not hold any investments in CCI Asset Management Limited or its related parties during the reporting period.

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

	For the reporting period ended	
	30 June 2019 $'000	30 June 2018 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Increase/(decrease) in net assets attributable to unitholders	**270**	460
Proceeds from sale of financial instruments at fair value through profit or loss	**15,485**	15,125
Purchase of financial instruments at fair value through profit or loss	**(24,118)**	(20,251)
Net (gains)/losses on financial instruments at fair value through profit or loss	**(307)**	(181)
Net change in receivables and other assets	**1**	(96)
Net change in payables and accrued expenses	**7**	-
Distribution to unitholders	**1,913**	2,873
Net cash inflow/(outflow) from operating activities	**(6,749)**	(2,070)

(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	**13,350**	18,898
	13,350	18,898
(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	**1,413**	652
	1,413	652

16 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 2019 or on the results and cash flows of the Scheme for the reporting period ended on that date.

17 Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 4 to 28 are in accordance with the Scheme's Constitution, including:

(i) complying with Australian Accounting Standards, and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Scheme's financial position as at 30 June 2019 and 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 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.

Joan Fitzpatrick
Director

4 September 2019