Value Accounts Investment Funds

Annual financial reporting

2020

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This illustrative publication presents the sample annual financial reports of a fictitious investment fund, VALUE ACCOUNTS Unit Trust as well as VALUE ACCOUNTS Pooled Superannuation Trust. It illustrates the financial reporting disclosure requirements that would apply to such trusts under Australian Accounting Standards on issue at 31 January 2020. Supporting commentary is also provided. For the purpose of this publication, VALUE ACCOUNTS Unit Trust is an unlisted managed investment scheme registered with ASIC.

The reporting requirements that apply to VALUE ACCOUNTS Unit Trust are:

- Australian Accounting Standards
- Interpretations issued by the Australian Accounting Standards Board (AASB) and the Urgent Issues Group (UIG)
- Corporations Act 2001
- Australian Securities & Investments Commission releases

VALUE ACCOUNTS Unit Trust as well as VALUE ACCOUNTS Pooled Superannuation Trust is for illustrative purposes only and should be used in conjunction with the relevant legislation, standards and other reporting pronouncements.

Foreword

Welcome to the 2020 edition of the Investment Funds financial reporting publication in our VALUE ACCOUNTS series.

This publication is designed to help you prepare financial statements for investment funds in line with Australian Accounting Standards. It illustrates the major elements of the financial statements and provides commentary on important items and required disclosures.

The fictitious circumstances of our scenarios, VALUE ACCOUNTS Unit Trust and VALUE ACCOUNTS Pooled Superannuation Trust have been chosen to illustrate the most common and significant accounting matters and associated disclosures under Australian Accounting Standards.

We have included a summary of other recent developments which are summarised in the “Other topical issues” section which begins on page 5.

I trust this publication will help you work through the upcoming reporting season with success.

Stephanie Smith
National Asset Management Assurance Leader
PwC

Value accounts investment funds

Annual financial reporting 2020

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Introduction

This publication presents illustrative general purpose annual financial statements (GPFS) for a fictitious managed investment scheme, VALUE ACCOUNTS Unit Trust, and a fictitious pooled superannuation trust, VALUE ACCOUNTS Pooled Superannuation Trust. The financial statements comply with the *Corporations Act 2001* and other authoritative pronouncements on issue at 31 January 2020 and that will be operative for 30 June 2020 annual financial statements.

The purpose of this publication is to highlight disclosure requirements and provide sample disclosures. The disclosures should be adapted to particular situations as required. Alternative disclosures, wording and forms of presentation may be used as long as they include the specific disclosures prescribed in the accounting and reporting pronouncements.

Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not necessarily be consistent throughout the publication.

These example financial statements are not intended to illustrate all potential situations and related disclosures. For example these illustrative financial statements do not contemplate the existence of any equity reserves such as foreign currency translation reserves or cash flow hedge reserves. In addition, the sample disclosures presented in accordance with AASB 7 *Financial Instruments*: *Disclosures* and *AASB 9 Financial Instruments* reflect the particular circumstances of VALUE ACCOUNTS Unit Trust. Accordingly, we strongly encourage tailoring of the disclosures for particular facts and circumstances as required.

Commentary has been included which elaborates on the disclosure requirements as well as providing guidance on some of the matters that are not applicable to VALUE ACCOUNTS Unit Trust, but may be applicable to other investment funds. Direct references to the source of disclosure requirements are included in the reference column on each page of the sample reports.

The appendices provide further information on Australia's financial reporting regime, including a list of accounting and reporting pronouncements on issue at 31 January 2020. Abbreviations used in this publication are listed in Appendix I.

New disclosures illustrated this year

As the adoption of AASB 16 *Leases* does not have an impact on the Fund's accounting policies or the amounts recognised in the financial statements, there are no new accounting pronouncements that require new disclosures in the current year. For further information on AASB 16, refer to VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2019 publication.

There is an increasing number of level 3 investments being held by funds and as such we have included a more extensive example of the disclosures for level 3 unobservable inputs in Appendix H.

VALUE ACCOUNTS structure and materiality

The structure used in our VALUE ACCOUNTS for Investment Funds publication provides practical solutions that will help make your own financial reports less complex and more accessible. The structure used will provide you with possible ideas, but there's no "one size fits all" approach. We recommend you engage with the stakeholders who use your financial reports to determine what's most relevant to them.

Our Value Accounts for Investment Funds publication is a reference tool, so we've included illustrative disclosures for as many common scenarios as possible rather than removing disclosures based on materiality. However, too much immaterial information can obscure the information that is actually useful to readers. We encourage users of the publication to consider carefully what to include and exclude, based on what is relevant to assisting investors' decision making.

Feedback

We welcome your feedback on the Value Accounts Investment Funds format and content. Please contact us at IFRS Communications or speak to your usual PwC representative to let us know your thoughts.

VALUE ACCOUNTS Unit Trust

The following assumptions have been made in preparing the financial statements for the VALUE ACCOUNTS Unit Trust (the Fund):

- The Fund is a registered scheme (i.e. a Trust which has been registered as a managed investment scheme under Part 5C.1 of the Corporations Act 2001).
- The Fund invests in equity, fixed income instruments and unlisted unit trusts. The fund invests in Australian and International investments and employs the use of derivative financial instruments (but does not adopt hedge accounting). The underlying investee funds meet the definition of a structured entity. The illustrative example of structured entities applicable to VALUE ACCOUNTS Unit Trust can be found in Note 10 and further illustrative examples can be found Appendix E.
- The Fund employs a long and short investment strategy.
- The Fund has only one class of units. These are redeemable at the option of the unitholder, however, applications and redemptions may be suspended by the responsible entity if it is in the best interests of the unitholders.
- The Fund that has opted into the Attribution Managed Investment Trust ('AMIT') tax regime and reclassified Trust units from liability to equity as at 1 July 2017. Refer to Appendix G for illustrative primary statements and note disclosures for a multi-class fund that classifies Trust units as liabilities.
- The Fund does not have control over any other entities which would require consolidation.
- The Fund does not have significant influence over any of the entities it invests in.
- The Fund has no reserves that would be classified as equity, and all valuation movements are recognised in profit or loss.
- The Fund is a disclosing entity as it has more than 100 unitholders.
- The Fund is not listed on the Australian Stock Exchange (ASX).

As required under Australian Accounting Standards, the impact of standards and interpretations that have not been early adopted and that are expected to have a material effect on the Fund are disclosed within the accounting policy note.

VALUE ACCOUNTS Pooled Superannuation Trust

VALUE ACCOUNTS Pooled Superannuation Trust presents illustrative general purpose financial statements for a pooled superannuation trust. It is closely based on VALUE ACCOUNTS Unit Trust and hence only illustrates the key differences to VALUE ACCOUNTS Unit Trust.

The key difference is:

- VALUE ACCOUNTS Pooled Superannuation Trust includes disclosures required by AASB 112 Income Taxes.

Applicable Guidance

Superannuation Prudential Standard 114 *Operational Risk Financial Requirement* (ORFR) which became effective 1 July 2013, requires Registered Superannuation Entity (RSE) licensees to determine a target amount of financial resources to address the operational risks of the RSE licensee's business operations. The ORFR must reflect the size, business mix and complexity of the RSE licensee's business operations and, at a minimum, include the cost of addressing the operational risks identified in the Trustee's risk management framework.

The financial resources held to meet the ORFR target amount must be held either as:

- an operational risk reserve held within an RSE;
- operational risk trustee capital held by the RSE licensee; or
- a combination of both an operational risk reserve held within an RSE and operational risk trustee capital held by the RSE licensee.

The RSE licensee of VALUE ACCOUNTS Pooled Superannuation Trust has established an operational risk reserve within the Trust. The key disclosures associated with the establishment of an operational risk reserve in the Trust are illustrated in this publication.

Financial reporting developments

The changes with the greatest impact on fund financial statements for 2020 are discussed below.

AASB 16 Leases

AASB 16 *Leases*, issued in February 2016, includes significant changes for lease accounting, particularly for lessees. For lessees, almost all leases will now go on the balance sheet as the distinction between operating and financing leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions from this are short-term and low-value leases. The accounting for lessors will not significantly change.

This standard is effective for annual reporting periods beginning on or after 1 January 2019. Early application was permitted for entities that applied AASB 15 *Revenue from Contracts with Customers* at or before the date of initial application of this standard. While this standard is not expected to be relevant to investment funds, there may be a significant impact for asset managers.

For illustrative transition disclosures refer to VALUE ACCOUNTS Holdings December 2020.

Other topical issues

The coronavirus (COVID-19) – Accounting Implications

The coronavirus (COVID-19) outbreak has developed rapidly in 2020, with devastating consequences for communities across the globe. Measures taken to contain COVID-19 have affected economic activity, which in turn has implications for financial reporting. While we realise financial reporting is of course lower down the priority list during this period of unprecedented change, we've looked at the impact of COVID-19 on the financial statements of funds and wanted to emphasize the below areas for careful consideration:

Impairment of assets under AASB 9 Financial instruments

Where an entity has any financial assets that are in the scope of AASB 9's expected credit loss model (ECL) management should consider the impact of COVID-19 on the ECL. Instruments to be considered include loans; trade and other receivables; debt instruments not measured at fair value through profit or loss; contract assets; lease receivables; financial guarantees; and loan commitments.

Fair value measurement (AASB 13)

The fair value of an asset or liability at the reporting date should be determined in accordance with the applicable AASB standards. When fair value is based on an observable market price, the quoted price at the reporting date should be used. The fair value of an asset reflects a hypothetical exit transaction at the reporting date. Changes in market prices after the reporting date are therefore not reflected in asset valuation.

Going concern

Management should consider the potential implications of COVID-19 and the measures taken to control it when assessing the entity's ability to continue as a going concern. An entity is no longer a going concern if management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. Management should consider the impact of measures taken by governments and banks in its assessment of going concern. Management should also remember that events after the reporting date that indicate an entity is no longer a going concern are always adjusting events.

Financial Statement Disclosures

Management should consider the specific requirements in AASB 101 to disclose significant accounting policies, the most significant judgements made in applying those accounting policies and the estimates that are most likely to result in an adjustment to profits in future periods. All of these disclosures might be different as a result of the impact of COVID-19. The extent of disclosures regarding estimation uncertainty might need to be increased.

Entities will need to disclose any changes in their financial risks - such as credit risk, liquidity risk, currency risk and other price risk - or in their objectives, policies and processes for managing those risks. In particular, additional disclosures about liquidity risk might be needed where COVID-19 has affected a fund's normal levels of cash inflows/outflows from operations or its ability to access cash in other ways, such as applications.

Further information

Most of the items noted above and further items included in the document linked below focuses on the adjusting events to financial reports for years ended after 31 December 2019. There are broad implications including: the ability to forecast cash flows and the related going concern assessment; debt covenants; hedging and financing; impairment of assets; onerous contracts; and recognition of revenues. Refer to the document below for complete listing of the areas potentially effected by COVID-19: https://www.pwc.com.au/assurance/ifrs/assets/straight-away-alert-20200323.pdf

Regulatory Guide 97 Disclosing fees and costs in Product Disclosure Statements (PDS) and periodic statements

On 29 November 2019 ASIC released its long-awaited updated guidance on fees and cost disclosure for issuers of superannuation and managed investment products with the revised Regulatory Guide 97 Disclosure of fees and costs in PDSs and periodic statements (RG97). The purpose of RG97 is to drive greater transparency and consistency in fees and cost disclosures.

The key changes to RG97 are:

1 Simplification of disclosure of Fees and costs in PDS

2 Simplification of ongoing fees and costs

3 Disclosure of a single ‘Cost of Product’ figure in a PDS

4 Simplification of fee and costs disclosure in periodic statements

5 Clarification on costs categories to be included in the disclosed costs

6 Exclusion of property operating costs, borrowing costs and implicit transaction costs from PDSs and periodic statements

7 Performance fees to be calculated by reference to the average of each of the previous five financial years instead of one year

8 Separate requirements for superannuation and managed investment products fee disclosure

For further information refer to: https://www.pwc.com.au/asset-management/revised-rg97-pwc-summary-of-key-changes-final-10dec19.pdf

Design and Distribution Obligations

The design and distribution obligations (DDO) will create a fundamental shift in how products are distributed to retail consumers in the Australian market.

The DDO require issuers of retail financial products to:

- Make a target market determination (TMD) for each retail product, including review triggers that would suggest the TMD is no longer appropriate
- Take steps that are reasonably likely to result in distribution consistent with the determination
- Notify ASIC of significant dealings that are inconsistent with the TMD
- Maintain information relating to the TMD and distribution of the product and provide to ASIC on request.

Distributors may only distribute products which have a target market determination that remains appropriate.

As ASIC guidance has yet to be issued, DDO implementation needs to be flexible and dynamic to respond to emerging interpretation and guidance by both industry and ASIC. However, a clear plan needs to be developed on how adherence with the legislation will be achieved by April 2021.

DDO creates a number of imperatives for financial services firms

In the post-Royal Commission environment, with increasing scrutiny on customer fairness and heightened community expectations, it is important for organisations to aim higher than mere compliance.

We believe organisations have an opportunity to derive value from DDO implementation beyond compliance, such as delivery of customer strategy and product simplification. To do this, the development of the DDO framework should be a purpose-driven exercise as opposed to a compliance-led response. DDO is not just a matter for regulatory specialists, but requires collaboration between regulatory, product, customer, legal, technology, and marketing. In order to prepare for the obligations, financial services firms should ensure:

- Product design meets all relevant considerations for target customers
- An increase in distribution controls to make certain target customer needs are consistently met
- Firms work with their distribution channels to ensure distributors can understand and help discharge the obligations
- Implementation readiness including clarity of accountabilities, technology and process changes, front line staff readiness and skills, cultural change and so on
- Focus on governance and culture to ensure that the DDO implementation is sustainable.

We have seen differing levels of progress by sector. Though April 2021 appears a long way away, we recommend organisations lift the priority of DDO to understand the opportunities for gaining value beyond compliance, as well as identifying implementation issues that may take some time to address. Our experience with similar legislation in the UK was that some products had to be withdrawn from platforms at the last minute because the work had not been completed to achieve compliance.

For further information refer to: https://www.pwc.com.au/financial-services/design-and-distribution-obligations.html

Regulatory Guidance 132 Funds management: Compliance and oversight

Regulatory Guide 132 *Funds Management: Compliance and oversight* (RG 123) was issued in July 2017 and is for responsible entities of registered schemes and Australian passport fund operators, although parts of the guide are also relevant for operators of unregistered wholesale managed investment schemes (MIS), investor directed portfolio service (IDPS) operators, managed discretionary account (MDA) providers and parties with oversight responsibilities. The regulatory guide provides guidance on the compliance and oversight obligations these entities must meet under the Corporations Act and other legal obligations and outlines three key areas Responsible Entities should consider:

1 Compliance Management Systems (CMS)

2 Compliance Plans

3 Oversight

White the legal requirements for what should be included in a compliance plan have not changed, ASIC has provided significantly more guidance and clarity around its expectations in the revised regulatory guide and expects all REs to have been compliant since July 2018.

Internal Dispute Resolution

In response to the findings of the Royal Commission and other reviews, ASIC opened a consultation on the proposed updates to Regulatory Guide 165: Internal Dispute Resolution (RG 165). The proposed new requirements include widening the definition of complaints, including expressions of dissatisfaction on social media, consideration of members' satisfaction and a reduction in response timeframes. The aim of these changes is to lift complaints handling performance of organisations and ultimately improve consumer outcomes.

The proposed new requirements include:

- Expansion of IDR requirements to superannuation trustees: Trustees of APRA regulated superannuation funds will be subject to the new RG 165 except for SMSFs, trustees of approved deposit funds and RSA providers.
- Improve IDR responses and consideration of customer satisfaction: IDR responses should have a sufficient level of detail for the complexity of the complaint and extent of the investigation conducted. Complaints should not be closed without the organisation assessing the complainant’s satisfaction with the actions taken.
- Increased Board and Management accountability and focus on customer complaints: Boards and management must set accountabilities for complaints handling, including processes for identifying systemic issues. Reports to Board and executive committees must include analysis of consumer complaints and systemic issues.
- New definition of a complaint: Organisations must capture all expressions of dissatisfaction which meet ASIC’s new definition of a complaint. This includes complaints made to organisations via their own social media and all complaints that are resolved immediately.
- Reduction of IDR response times: For superannuation and trustee complaints, reduction of the maximum IDR response time from 90 days to 45 days. For all other complaints (excluding specified credit complaints), reduction of the maximum IDR response timeframe from 45 days to 30 days.
- IDR Data Reporting Regime: Organisations will be required to report all IDR data to ASIC on a 6-monthly basis, at an individual complaint level. ASIC have proposed an extensive list of the data to be reported for each and every complaint. ASIC will open consultation later in the year regarding the publication of IDR data both at an industry and organisation level.

ASIC sought public input on the consultation and draft updated RG 165. In late 2019, ASIC indicated that all companies, regardless of size, will be required to comply with all of the new changes outlined in the regulatory guide. RG 165 will, in future, be an “approved” ASIC standard, therefore enforceable as part of AFSL and Australian Consumer Law conditions. If obligations that are considered ‘core’ are breached, this will likely be a civil penalty breach. ASIC has yet to issue the final RG 165.

Environmental, Social and Governance (ESG)

The effects of climate change and other ESG related emerging risks extend to all sectors of the economy. Those effects are being transmitted directly as well as indirectly, through changing policies, technological developments, investment and consumer preferences. How these risks are assessed, managed and disclosed will continue to be an area of focus for both regulators and investors across the globe.

AASB - Financial Statement Considerations

In April 2019, the AASB released disclosure guidance (*Climate related and other emerging risks disclosures: assessing financial statement materiality using AASB / IASB Practice Statement 2*) on how climate related risks and other emerging risks should be considered by financial statement preparers.
The AASB notes how qualitative external factors such as the industry in which the entity operates, and investor expectations may make such risks 'material' and warrant disclosures when preparing financial statements, regardless of their numerical impact.
The AASB recommends entities preparing financial statements in accordance with Australian Accounting Standards should consider:

- whether investors could reasonably expect that emerging risks, including climate-related risks, could affect the amounts and disclosures reported in the financial statements and have indicated the importance of such information to their decision making; and
- what disclosures about the impact of climate-related risks and other emerging risks on the assumptions made in preparing the financial statements are material to the financial statements in light of the guidance in APS/PS 2.

For further information please refer to:
https://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASB_Joint_Bulletin_Finished.pdf

World Economic Forum International Business Council

The members of the World Economic Forum International Business Council (IBC), comprising approximately 120 large multinational firms, have highlighted the importance of consistent and transparent reporting on both financial and non-financial risks and opportunities to their businesses. At the behest of the IBC's members, the Forum has partnered with the Big Four accounting firms to identify a common, core set of ESG metrics and recommended disclosures for all companies to report on, across sectors and geographies. The objective would be for entities to report on these metrics in their mainstream disclosures to provide a more accurate representation of an entity's performance, risk management capabilities and ability to generate long-term value for all stakeholders.

For further information please refer to: http://www.wlrk.com/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf

Uncertainty over Income Tax Treatments - AASB Interpretation 23

Effective for annual periods beginning on or after 1 January 2019, AASB Interpretation 23 clarifies how the recognition and measurement requirements of AASB 112 *Income taxes,* are applied where there is uncertainty over income tax treatments.

AASB Interpretation 23 addresses:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in fact and circumstances.

AASB Interpretation 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously AASB 112 was silent. For example, the Interpretation specifies how to determine the unit of account and the recognition and measurement guidance to be applied to that unit.

Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in AASB 112. These models might, in some circumstances, be inconsistent with AASB Interpretation 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

ASIC Areas of Focus

In December 2019, ASIC released its areas of focus for December 2019 year ends. Many of the areas of focus are consistent with last year. The key topics are new accounting standards, impairment testing and asset values, revenue recognition, expense deferral, off-balance sheet arrangements, tax accounting, operating and financial review, non-IFRS financial information, and estimates and accounting policy judgements.

ASIC Area of Focus	Nature	Impact
New Accounting Standards	December 2019 is the first time that both full-year and half-year reports will be prepared applying the new reporting requirements in AASB 16 *Leases.* ASIC has highlighted a specific impact that the adoption of AASB 16 is expected to have on Australian Financial Services License (AFSL) holders. AFSLs include financial condition requirements, which include requirements regarding the net tangible assets of the license holder. ASIC has recently expressed their view that right-of-use assets are intangible assets and hence would be excluded from net tangible assets, despite the lease liability being included in the calculation.	As noted in the introduction, AASB 16 *Leases* is not expected to have an impact on fund financial statements, but the impact on any AFSL holders should be considered by management.
Impairment Testing and Asset Values	ASIC will continue to focus on the recoverability of assets, such as by carefully reviewing the ability of poorly performing businesses to carry significant non-impaired assets at their stated carrying values.	For investments funds that hold investments measured using a methodology other than fair value, management should assess whether the carrying values of these assets have been appropriately reviewed and considered.
Revenue Recognition	The new revenue standard is considerably more detailed than the previous standard and focuses on performance obligations.	For investment funds, revenue recognition is not likely to be applicable. For asset managers, policies should be reviewed to ensure that revenue is recognised on an appropriate basis.
Expense Deferral	Expenses should only be deferred when there is an asset, as defined by the accounting standards, and it is probable that future economic benefit will arise.	If funds have deferred expenses, a review should be untaken to assess future benefits.
Off Balance Sheet Arrangements	Management should carefully review the treatment of off-balance sheet arrangements and investments in joint arrangements.	Any off-balance sheet and structured arrangements which exists should be properly disclosed. For details on structured entities and their impact to funds, refer to Appendix E.
Tax accounting	ASIC expects management to have a thorough understanding of the temporary differences recognised, having taken into account the impact of any recent changes in legislation. Specific focus will be given to the recoverability of deferred tax assets.	For investment funds, tax accounting is not likely to be applicable. Responsible entities and Trustee's of Pooled Superannuation Trust should assess the need to involve tax experts to review the fund's distribution, income taxes and any deferred taxes.

ASIC Area of Focus	Nature	Impact
Operating and Financial Review	Listed entities should provide useful and meaningful information in the OFR about underlying drivers of the results and financial position, as well as business strategies and prospects for future financial years. Risks and other matters that may have a material impact on the future financial position or performance of the entity should be disclosed. This could include, for example, matters relating to digital disruption, new technologies, climate change, Brexit or cyber-security. For more information see ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review*.	For listed registered schemes, refer to RG 247 to ensure appropriate disclosures are included in the Financial Statements.
Non-IFRS Financial Information	Directors should also consider whether any non-IFRS financial information in the OFR or other documents outside the financial report is potentially misleading and is presented in accordance with ASIC Regulatory Guide RG 230 *Disclosing non-IFRS financial information*.	Responsible entities and Trustee's should assess what information, if any, is considered non-IFRS and determine if this is potentially misleading.
Estimates and Accounting Policy Judgements	Disclosures should be made about significant judgements in applying accounting policies, and any sources of estimation uncertainty that have a significant risk of material adjustment to assets and liabilities.	Disclosures about estimates and judgements should be specific to the asset, liability, income or expense and not provide boilerplate or nonspecific wording.

Value accounts unit trust

ARSN 123 456 789

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Auditor's independence declaration 14

Annual report

Australian registered scheme number (ARSN)

CA601EB,601EC

1. All schemes registered with ASIC are given an Australian Registered Scheme Number (ARSN) by ASIC. This number must appear on all documents relating to the scheme that are filed with ASIC.

CA601EC,1344

2. Registered schemes may use their Australian Business Numbers (ABNs) instead of their ARSN. This is conditional on the ABN including the ARSN as its last nine digits and it being quoted in the same way in which the Corporations Act registration number was previously quoted for the purposes of complying with the Act.

ASIC-RG13

3. Guidance on issues relating to the use of ACNs is set out in ASIC Regulatory Guide 13.

Directors' report[1-26]

CA299(2)(a) The directors of VALUE ACCOUNTS Investment Funds Limited (a wholly owned subsidiary of VALUE ACCOUNTS Bank Limited), the responsible entity of VALUE ACCOUNTS Unit Trust, present their report together with the financial statements of VALUE ACCOUNTS Unit Trust ('the Fund') for the year ended 30 June 2020.

CA299(1)(c)

Principal activities

AASB101(138)(b) The Fund invests in equities and equity derivatives, unlisted unit trusts, money market securities and debt securities in accordance with the provisions of the Fund Constitution.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

CA300(1)(c)

Directors

The following persons held office as directors of VALUE ACCOUNTS Investment Funds Limited during the year or since the end of the year and up to the date of this report:

A Director (resigned 14 October 2019)

B Director

C Director

D Director (appointed 20 May 2020)

CA298(2)(a) This report is made in accordance with a resolution of the directors.

CA299(1)(a)

Review and results of operations[4,5]

The broader share market, represented by the MSCI World Index returned 17.3% over the 2019 financial year. The Fund outperformed the benchmark over the period by 1.1%. Key contributors to the performance over the 12 months to 30 June 2020 were overweight positions in ABC Limited and BCD Limited and an underweight position on CDE Limited. Key detractors from performance over the period were underweight positions in DEF Group and EFG Group.

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

		Year ended[6]	
		30 June 2020	30 June 2019
	Total comprehensive income for the period ($'000)	**11,235**	(3,775)
CA300(1)(a)(b)	Distribution paid and payable ($'000)	**1,050**	1,000
	Distribution (cents per unit)	**12.841**	12.713

CA299(1)(b)

Significant changes in state of affairs[11]

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

CA299(1)(d)

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- the operations of the Fund in future financial years, or
- the results of those operations in future financial years, or
- the state of affairs of the Fund in future financial years.

CA299(1)(e)

Likely developments and expected results of operations[12,13]

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

CA300(1)(g)

Indemnity and insurance of officers[14-16]

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of VALUE ACCOUNTS Investment Funds Limited or the auditors of the Fund. So long as the officers of VALUE ACCOUNTS Investment Funds Limited act in accordance with the Fund Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnity of auditors[14-16]

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

CA300(13)(a)

Fees paid to and interests held in the Fund by the responsible entity or its associates[17,18]

Fees paid to the responsible entity and its associates out of Fund property during the year are disclosed in Note 17 to the financial statements.

No fees were paid out of Fund property to the directors of the responsible entity during the year.

CA300(13)(b) The number of interests in the Fund held by the responsible entity or its associates as at the end of the financial year are disclosed in Note 17 to the financial statements.

Interests in the Fund[17,18]

CA300(13)(c),(d),(f) The movement in units on issue in the Fund during the year is disclosed in Note 11 to the financial statements.

CA300(13)(e) The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in Note 2 to the financial statements.

CA299(1)(f)

Environmental regulation[2]

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

ASIC2016/191

Rounding of amounts to the nearest thousand dollars[19-21]

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

CA298(1)(c)

Auditor's independence declaration[22,23]

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

CA298(2)(c) B Director

Not mandatory Sydney

CA298(2)(b) 14 September 2020

CA307C
CA298(1)(c)

Auditor's independence declaration[22,23]

As lead auditor for the audit of VALUE ACCOUNTS Unit Trust for the year ended 30 June 2020, I declare that to the best of my knowledge and belief there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

A B Partner
Partner
PricewaterhouseCoopers

Sydney
14 September 2020

Directors' report

Contents of directors' reports

CA298(1)

1. The directors of the responsible entity of a registered scheme must prepare a directors' report for each financial year. While this example directors' report presents a typical report for a registered scheme, it is not an exhaustive illustration of all potential components of a directors' report. For further details of the information required in various reporting scenarios refer to our VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020 publication for the 'Summary of content of directors' report by classes of entities' contained in the commentary to the directors' report.
2. Where a disclosure requirement is not relevant to an entity (including a consolidated entity) for a particular financial year, PwC's view is that it is not necessary to include a reference to the matter. However, it should be noted that, in respect of environmental reporting, ASIC recommends the inclusion of a comment that no significant environmental regulations apply. Where an item is significant and no comment is made in the directors' report, the directors should consider specifically minuting their decisions at the directors' meeting called to approve the directors' report.

Disclosures required where additional information is included to give a true and fair view

3. If the financial statements for a financial year includes additional information under CA 295(3)(c) (information included to give a true and fair view of financial position and performance), the directors' report for the financial year must:

CA298(1A)(a)

(a) set out the directors' reasons for forming the opinion that the inclusion of that additional information was necessary to give the true and fair view required by CA 297, and

CA298(1A)(b)

(b) specify where that additional information can be found in the financial report.

This disclosure is not illustrated in the VALUE ACCOUNTS Unit Trust directors' report, as there is no additional information included under CA 295(3)(c).

Review and results of operations

CA299(1)(a)
CA299A(1)

4. CA 299(1)(a) requires all entities to present a review of the operations of the entity reported on and the results of those operations. In addition, under CA 299A(1) the directors' report of a company, registered scheme or other disclosing entity that is listed must contain information that members of the company would reasonably require to make an informed assessment of:
   (a) the operations of the entity reported on
   (b) the financial position of the entity
   (c) the entity's business strategies and its prospects for future financial years.

R9 247

5. ASIC Regulatory Guide RG 247 *Effective disclosure in an operating and financial review* explains their expectations in relation to the disclosures contained in the operating and financial review (OFR) section of listed entities' annual reports to satisfy the requirements in section 299A. While unlisted entities do not have to comply with section 299A, they must still provide a review of operations and the results of these operations. The comments included in RG 247 in relation to the review of operations can provide these entities with insight into the type of information that ASIC expects to see in such a review (e.g. comments about the underlying drivers of the entity's performance). We have provided an example of what we believe would be appropriate in the context of a fund such as VALUE ACCOUNTS Unit Trust in our directors' report. Depending on the circumstances, large or more diversified funds may need to provide more detailed disclosures. For detailed comments about the format and content of the review of operations, please refer to Appendix D of our VALUE ACCOUNTS Holdings Limited December 2019 publication.

Comparative figures

6. Comparative figures are not mandatory for directors' reports, but are recommended in the interest of more meaningful disclosure.

Directors' report

Non-mandatory disclosures

FSC Standard 6.0
[Non-Mandatory]

7. The Financial Services Council (FSC) (formerly known as the Investment and Financial Services Association (IFSA)) standards and industry practice suggest certain disclosures for the directors' report that are not otherwise required either in the directors' report or the financial statements. These disclosures are not made by VALUE ACCOUNTS Unit Trust but have been illustrated below for consideration by preparers of investment funds' financial statements.

Fund performance

FSC Standard 6.0
[Not mandatory]

8. The table below demonstrates the performance of the Fund as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the past five years to 30 June 2020 and assumes that all distributions were reinvested during that period. These are calculated in accordance with FSC Standard 6.0 Product Performance - calculation of returns.

	2020	**2019**	2018	2017	2016
	%	**%**	%	%	%
Capital growth	**15.0**	(6.5)	5.4	4.3	3.2
Distribution of income	**2.3**	2.5	2.1	1.6	1.3
Total return	**17.3**	(4.0)	7.5	5.9	4.5
Benchmark (MSCI World Index)	**16.2**	8.5	7.3	5.8	4.2

9. Consistent with our statements in the governing documents of the Fund, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

Unit redemption prices

Unit redemption prices (quoted cum-distribution) are shown as follows:

	2020	**2019**	2018	2017	2016
	$	**$**	$	$	$
At 30 June	**12.17**	10.57	11.20	9.68	7.54
High during year	**12.22**	10.95	11.21	9.74	7.54
Low during year	**9.40**	10.00	9.68	7.54	7.01

Differences between value for unit pricing and net assets attributable to unitholders

10. In addition where there are material differences between net assets for unit pricing purposes and net assets as reported in the financial statements, PwC suggests the following disclosure (for VALUE ACCOUNTS Unit Trust this difference is not material).

"The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	Year ended	
	30 June 2020 $'000	30 June 2019 $'000
Redemption value of outstanding units	**114,415**	84,675
Adjustment for differences in valuation inputs	**(2,760)**	(1,526)
Net assets attributable to unitholders	**(111,655)**	(83,149)

Significant changes in state of affairs

CA299(1)(b)

11. CA299(1)(b) requires disclosure of any changes in the Fund's state of affairs during the year, where these changes are significant.

Directors' report

CA299(1)(e) **Likely developments and expected results of operations**

CA299(3) 12. The report may omit material on likely developments and expected results of operations if it is likely that its disclosure would result in unreasonable prejudice to the company, the consolidated entity or any entity that is part of the consolidated entity. ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review* sets out ASIC's view on when the exemption can be applied. According to the guide, a director should:

(a) identify the adverse consequences that are likely to occur
(b) consider whether these consequences are reasonable, and
(c) assess whether it is likely (more probable than not) that they will occur.

13. It will be difficult to demonstrate unreasonable prejudice if the relevant information has already been disclosed elsewhere, or can be inferred from information that is in the public domain. Where information has been omitted in reliance on the exemption, the entity must disclose this fact and should also provide a short, high level summary of the type of information that has been omitted and the reasons for the omission. ASIC further recommends that entities document their assessment in their director meeting minutes if they have relied on the exemption.

Indemnities and insurance premiums for officers and auditors

CA300(8) 14. The directors' report must disclose information about any:

(a) indemnity given to a current or former officer or auditor, and
(b) premium paid, or agreed to be paid, for insurance against a current or former officer's or auditor's liability for legal cost

to the extent the indemnities or insurance arrangements are not prohibited under CA 199A and CA 199B of the *Corporations Act 2001*.

15. If the Fund has agreed to indemnify the auditor under certain circumstances as permitted in the Corporations Act 2001, this fact must also be disclosed. Please note that the disclosure above within the directors' report is purely illustrative and is not intended to reflect or summarise the terms of actual arrangements in respect of the provision of services. Accordingly, users of this publication should obtain legal advice as to whether their particular arrangement will require disclosure, and as to the form of any such disclosure.

16. See Appendix A for detailed commentary on the requirements for the disclosure of information on indemnities and/or insurance premiums for officers and auditors. The commentary includes illustrative wording for indemnities and indemnification agreements.

Special rules for registered schemes

CA300(13) 17. The directors' report for a registered scheme must also include details of:

(a) the fees paid to the responsible entity and its associates out of scheme property during the financial year
(b) the number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year
(c) interests in the scheme issued during the financial year
(d) withdrawals from the scheme during the financial year
(e) the value of the scheme's assets as at the end of the financial year, and the basis for the valuation, and
(f) the number of interests in the scheme as at the end of the financial year.

CA11 18. CA11 defines an associate of a body corporate as:

(a) a director or secretary of the body corporate
(b) related body corporate, and
(c) a director or secretary of a related body corporate.

It should be noted that the definition of an 'associate' under the Corporations Act 2001 differs from the definition under Australian Accounting Standards.

Directors' report

Rounding of amounts

ASIC2016/191

19. ASIC *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* permits entities to round off as follows, subject to certain conditions and exceptions:

Assets greater than:	Round off to nearest:
$10 million (but less than $1,000 million)	$1,000
$1,000 million (but less than $10,000 million)	$100,000
$10,000 million	$1,000,000

ASIC2016/191

20. Rounding to lower prescribed amounts is also permissible, as explained in Appendix A.

21. The following directors' report disclosures must be shown to the nearest dollar by entities with assets (or consolidated assets) of less than $1,000 million, and may only be rounded to the nearest $1,000 by entities with assets (or consolidated assets) of more than $1,000 million:

Section	Details
CA 300(1)(g),(8),(9)	Indemnification/insurance of officers or auditors
CA 300(11B)(11C)	Non-audit services
CA 300A(1)(c),(1)(e)	Remuneration of directors and executives
CA 300(13)(a)	Fees paid to responsible entity and associates

Auditor's independence declaration

CA298(1AA)(c)
CA307C
ASIC2016/188

22. The directors' report must include a copy of the auditor's independence declaration made under CA307C in relation to the audit for the financial year. ASIC *Corporations (Directors' Report Relief) Instrument 2016/188* permits the declaration to be transferred to a document included with the directors' report and financial statements. Where advantage is taken of this relief, the directors' report must contain a clear cross reference to the page or pages containing the transferred information. VALUE ACCOUNTS Unit Trust includes a copy of the auditor's independence declaration separately from the directors' report on page 17 and references the auditor's independence declaration within the directors' report.

CA307C

23. CA 307C(5A) provides that the declaration may be given to the directors before they pass their resolution in relation to the directors' report and before the audit report is signed, provided that:
    (a) the declaration is given to the directors before the directors resolve to make the directors' report
    (b) the directors' report is signed within 7 days after the declaration is given
    (c) the auditor's report is made within 7 days after the directors' report is signed and includes a statement that:
        (i) either the declaration would be in the same terms if it was given to the directors at the time the auditor's report is made, or
        (ii) circumstances have changed since the declaration was given to the directors and setting out how the declaration would differ if it was given to the directors at the time the auditor's report is made.

Regulatory Guide 94 Unit Pricing: Guide to Good Practice (RG 94)

RG94

24. RG 94 issued jointly by ASIC and APRA in 2008 suggests that if a fixed dollar minimum is applied to compensation amounts in respect of a unit pricing error for exited unitholders, this information is included in the annual financial statements for the relevant Fund. VALUE ACCOUNTS Unit Trust has no fixed dollar minimum applied to compensation amounts in respect of unit pricing errors for exited unitholders and no such disclosure is made.

Transfer of information from the directors' report

ASIC 2016/188

25. Entities may transfer certain information otherwise required to be included in the directors' report to other parts of the annual report. Refer to VALUE ACCOUNTS Holdings Annual financial reporting December 2019 publication, page 44 for further guidance.

Directors' report

Modification of auditor rotation requirements

CA300 (11A)

26. If a registered company auditor plays a significant role in the audit of a listed fund or listed registered scheme for the financial year for a period greater than 5 years in reliance on a declaration made by ASIC under CA 342A (i.e. modification of the auditor rotation requirements for listed companies), the directors' report must include details of the declaration. This disclosure is not illustrated in the VALUE ACCOUNTS Unit Trust directors' report, as it is assumed it is not applicable.

Value accounts unit trust

ARSN 123 456 789

Annual financial report – 30 June 2020

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AASB101(51)(b) These financial statements cover VALUE ACCOUNTS Unit Trust as an individual entity

AASB101(38)(a) The responsible entity of VALUE ACCOUNTS Unit Trust is VALUE ACCOUNTS Investment Funds Limited (ABN 11 222 333 444). The responsible entity's registered office is:

350 Harbour Street

Sydney NSW 2000

Financial statements

Accounting standard for financial statement presentation and disclosures

AASB101(Aus19.1)

1. AASB 101 *Presentation of Financial Statements* applies to each entity which is required to prepare financial statements in accordance with Part 2M.3 of the Corporations Act 2001, general purpose financial statements of each reporting entity, and to financial statements that are, or are held out to be, general purpose financial statements.

AASB10(31)

2. VALUE ACCOUNTS Investment Funds does not illustrate consolidated financial statements as it does not meet the consolidation requirements under AASB 10. However, if an investment entity meets the consolidation requirements, it is mandatory to apply AASB 10 which disallows consolidation of subsidiaries of an investment entity, except for a subsidiary that provides services that relate to the investment entity's investment activities.

General requirements for financial statements

AASB101(49),(50)

3. The financial statements and accompanying notes shall be identified clearly and distinguished from other information in the same published document. Reports and statements presented outside the financial statements are outside the scope of Australian Accounting Standards.

AASB101(51)

4. The entity shall clearly identify each financial statement and the notes. In addition, the following information must be prominently displayed and repeated when it is necessary for a proper understanding of the information presented:
   (a) the name of the reporting entity or other means of identification, and any change in name from the end of the preceding reporting period
   (b) whether the financial statements cover the individual entity or a group of entities
   (c) the date of the end of the reporting period or the period covered by the set of financial statements or notes
   (d) the presentation currency, as defined in AASB 121 *The Effects of Changes in Foreign Exchange Rates*
   (e) the level of rounding used in presenting amounts in the financial statements (refer to note 2 to the financial statements).

Australian differential reporting regime

5. Australian entities that are required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act 2001 may have up to three options:

   (a) Prepare general purpose financial statements (GPFS) with full disclosures.

   (b) If the entity does not have public accountability: prepare GPFS with reduced disclosures.

   (c) For financial years beginning before 1 July 2021, if the entity is not a reporting entity: prepare special purpose financial statements.

   For further information about each of these options, including the changes becoming operative from 1 July 2021, please refer to Appendix A.

AASB101(7)

General purpose financial statements means financial statements intended to meet the information needs common to users who are unable to command the preparation of statements tailored so as to satisfy, specifically, all of their information needs.

AASB1054(6)

6. Special purpose financial statements (SPFS) means financial statements other than general purpose financial statements.

AASB1054(9)

7. An entity shall disclose in the notes a statement that the financial statements are general purpose financial statements, or if applicable, special purpose financial statements.

Materiality

AASB101(7)
AASB108(5),(6)

8. Accounting standards only need to be complied with if the information resulting from their application is material. Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. In particular circumstances either the nature or the amount of an item or an aggregate of items could be the determining factor. Preparers generally tend to err on the side of caution and disclose too much rather than too little. However, the IASB has expressed the view that too much immaterial information could obscure useful information and hence should be avoided.

IASB Update
September 2013

Financial statements

AASB101(29)

9. Each material class of similar items shall be presented separately in the financial statements. Items of a similar nature or function shall be presented separately unless they are immaterial.

Primary financial statements should be read in conjunction with accompanying notes

10. VALUE ACCOUNTS Investment Funds reminds readers by way of a footnote that the primary financial statements should be read in conjunction with the accompanying notes. However, this is not mandatory and we note that there is mixed practice in this regard.

Comparative information

AASB101(38)

11. Except when an Australian Accounting Standard permits or requires otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

AASB101(38)(b)

12. In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the end of the immediately preceding reporting period and is yet to be resolved, are disclosed in the current period. Users benefit from information that the uncertainty existed at the end of the immediately preceding reporting period and about the steps that have been taken during the period to resolve the uncertainty.

AASB101(41)

13. When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:
    (a) the nature of the reclassification
    (b) the amount of each item or class of items that is reclassified
    (c) the reason for the reclassification.

AASB101(42)

14. When it is impracticable to reclassify comparative amounts, an entity shall disclose:
    (a) the reason for not reclassifying the amounts
    (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Three balance sheets required in certain circumstances

AASB101(40A), (40B)

15. If an entity has
    (a) applied an accounting policy retrospectively, restated items retrospectively, or reclassified items in its financial statements, and
    (b) the retrospective application, restatement or reclassification has a material effect on the information presented in the balance sheet at the beginning of the preceding period,

AASB101(41)
AASB108
AASB101(40C)

it must present a third balance sheet (statement of financial position) as at the beginning of the preceding period (e.g. 1 July 2018 for 30 June 2020 reporters). It must also provide appropriate explanations about the changes in accounting policies, other explanations or reclassifications, as required under AASB 101 paragraph 41 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the entity does not need to present the related notes to the opening statement of financial position as at the beginning of the preceding period.

No financial statements prepared in the previous year

AASB101(38)
CA 323D(1),(2)

16. Comparative information must be provided even if the entity did not prepare financial statements under the Corporations Act 2001 in the previous financial year. An example would be an unregistered fund that became registered during the reporting period. In this case, while the fund's first financial year will only commence on the date of registration, comparative information should still be provided to satisfy the requirements of paragraph 38 of AASB 101.

Financial statements

Prior period errors

AASB108(42),(43)

17. An entity shall correct material prior period errors retrospectively in the first financial statements authorised for issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

AASB108(44),(45)

18. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period). When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

AASB101(40A), (10)(f)

AASB101(40C)

19. When an entity has corrected a prior period error retrospectively by restating the comparative information, it shall present a third balance sheet as explained in commentary paragraph 14 above. Additional disclosures also apply which are illustrated in note 11 of our VALUE ACCOUNTS Holdings Limited December 2019 publication.

Consistency

AASB101(45)

20. The presentation and classification of items in the financial statements shall be retained from one period to the next unless:
    (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, or
    (b) an Australian Accounting Standard requires a change in presentation.

Statement of comprehensive income[1-37]

		Notes	Year ended 30 June 2020 $'000	30 June 2019 $'000
AASB101(82)(a)	**Investment income**			
AASB7(20)(b)	Interest income from financial assets at amortised cost[31]		**90**	49
	Interest income from financial assets at fair value through profit or loss[12,13,31]		**857**	500
AASB9(5.7.1A)	Dividend income		**2,922**	950
AASB9(5.7.1A)	Distribution income		**681**	100
AASB7(20)(a) AASB101(35)	Net gains/(losses) on financial instruments at fair value through profit or loss[28,29]	6	**8,158**	(4,255)
	Other operating income		**75**	5
AASB101(85)	**Total net investment income/(loss)**		**12,783**	(2,621)
AASB101(99)	**Expenses[15,16]**			
	Responsible entity fees	17	**803**	684
AASB101(85)	Custody fees		**18**	14
AASB1054(10)	Remuneration of auditors	15	**55**	47
AASB9(B5.4.8), AASB9(5.1.1)	Transaction costs[32]		**438**	200
	Registry fees		**131**	128
	Other operating expenses	16	**103**	81
	Total operating expenses		**1,548**	1,154
AASB101(81A)(a)	**Profit/(loss) for the period**		**11,235**	(3,775)
AASB101(81A)(b)	Other comprehensive income[11]		**-**	-
AASB101(81A)(c)	**Total comprehensive income for the period**		**11,235**	(3,775)

Not mandatory

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

Statement of comprehensive income

Requirements for the presentation of a statement of comprehensive income

AASB(Aus19.1) AASB101(10)

1. Requirements for the presentation of a statement of comprehensive income are set out in AASB 101 *Presentation of Financial Statements*. The standard applies to each entity which is required to prepare financial statements in accordance with Part 2M.3 of the *Corporations Act 2001*, general purpose financial statements of each reporting entity, and financial statements that are, or are held out to be, general purpose financial statements.

   While the standard now refers to the statement as 'statement of profit or loss and other comprehensive income', entities are permitted to retain the previous title of 'statement of comprehensive income'.

One or two statements

AASB101(10A)

2. Entities have a choice to present all items of income and expense recognised in a period either:
   (a) in a single statement of profit or loss and other comprehensive income (as done by VALUE ACCOUNTS Unit Trust), or
   (b) in two statements (as illustrated in our VALUE ACCOUNTS Holdings publication):
      (i) a separate income statement which displays components of profit or loss, and
      (ii) a statement of comprehensive income which begins with profit or loss and displays components of other comprehensive income.

   Where an entity elects to prepare a separate income statement, it must present this income statement *immediately* before the statement of comprehensive income.

Materiality and aggregation

AASB101(29)

3. Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

In the statement of comprehensive income

AASB101(82)

4. The income statement (profit or loss section of the single statement of profit or loss and other comprehensive income) must include line items that present the following amounts for the period, in addition to items required by other accounting standards:
   (a) revenue, presenting separately interest revenue calculated using the effective interest method;
   (b) gains and losses arising from the derecognition of financial assets at amortised cost;
   (c) finance costs;
   (d) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of AASB 9;
   (e) share of the profit or loss of associates and joint ventures accounted for using the equity method;
   (f) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in AASB 9);
   (g) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;
   (h) tax expense, and
   (i) a single amount for the total of discontinued operations (see AASB 5)

AASB101(29),(30),(30A)
AASB PS2(40)-(55)

   Depending on materiality, it may not always be necessary to present these items separately in the primary financial statements. However, items that are of a dissimilar nature or function can only be aggregated if they are immaterial. Further guidance on assessing materiality is provided in the non-mandatory Practice Statement 2 Making Materiality Judgements.

Statement of comprehensive income

AASB10(B85C-E)
5. Where an investment fund cannot apply the exemption for investment entities and must prepare consolidated financial statements, it must also disclose the following information in the statement of comprehensive income:

AASB101(81B)
   (a) profit or loss for the period attributable to (AASB 101 paragraph 81B(a)):
      (i) non-controlling interests; and
      (ii) owners of the parent.
   (b) total comprehensive income for the period attributable to:
      (i) non-controlling interests; and
      (ii) owners of the parent.

AASB101(32)
6. Income and expense items are not offset unless the criteria in AASB 101(32) are met, as discussed in paragraphs 27 and 28 below.

AASB101(82A)
7. The other comprehensive income section of the statement of comprehensive income shall present line items for amounts of other comprehensive income in the period classified by nature. The items must be grouped into items that, in accordance with the standards:
   (a) will not subsequently be reclassified to profit or loss, and
   (b) will be subsequently reclassified to profit or loss when specific conditions are met.

AASB133(Aus1.1)
8. Earnings per share information is not disclosed as VALUE ACCOUNTS Unit Trust has no publically traded ordinary shares or units.

9. A distribution statement at the foot of the statement of comprehensive income is not considered necessary because distributions and undistributed income are recognised on the statement of comprehensive income as components of finance costs attributable to unitholders and further details on the distributions made during the year are disclosed in the notes.

10. The statement of other comprehensive income must further disclose sub-totals and totals for:
   (a) profit or loss
   (b) total other comprehensive income
   (c) comprehensive income for the period being the total profit or loss and other comprehensive income.

Either in the statement of comprehensive income or in the notes

AASB7(20)
11. In addition to the disclosures required by AASB 101, AASB 7 lists further items that must be disclosed either in the statement of comprehensive income or in the notes, where applicable. They are:
   (a) net gains or net losses on:
      (i) financial assets or financial liabilities measured at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of AASB 9, and those on financial assets or financial liabilities that are mandatorily measured at fair value through profit or loss in accordance with AASB 9 (eg financial liabilities that meet the definition of held for trading in AASB 9). For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss.
      (ii) financial assets measured at amortised cost
      (iii) financial liabilities measured at amortised cost
      (iv) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9.
      (v) investments in debt instruments at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.
   (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9 (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.

Statement of comprehensive income

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:
   (i) financial assets or financial liabilities that are not at fair value through profit or loss, and
   (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

AASB7(B5)(e)

12. VALUE ACCOUNTS Unit Trust has elected to separately disclose the below line items for transparency and to provide more useful information to the users:
    - Dividend Income
    - Distribution Income
    - Net gains/(losses) on financial instruments at fair value through profit and loss
13. When items of income and expense are material, their nature and amount must be disclosed separately either in the statement of comprehensive income or in the notes.

AASB101(82A)

14. The statement of comprehensive income (other comprehensive income section of the single statement) shall present line items for amounts of other comprehensive income in the period, classified by nature (including the entity's share of the other comprehensive income of equity accounted associates and joint ventures).

AASB101(81A)

VALUE ACCOUNTS Unit Trust has no components of 'other comprehensive income'. However, to reflect the requirements above, an additional line item has been included with a nil balance.

Classification of expenses

AASB101(99)(100)

15. An entity may classify expenses based on either the nature of expenses or their function, whichever provides information that is reliable and more relevant. An investment fund will typically classify its expenses by nature as it is more relevant. Entities are encouraged, but not required, to present the analysis of expenses in the statement of comprehensive income.

AASB101(29-31)

16. Regardless of whether expenses are classified by nature or by function, materiality applies to the classification of expenses. Each material class should be separately disclosed and unclassified expenses (shown as 'other expenses') should be immaterial.

Additional line items

AASB101(85)

17. Additional line items, headings and subtotals shall be presented in the statement of comprehensive income and the income statement (where applicable) when such presentation is relevant to an understanding of the entity's financial performance. For example, a sub-total of operating profit (revenue from sales less cost of sales) should be included where expenses have been classified by function.

Framework(QC4), (QC12)
AASB-CF2013-1

18. However, additional sub-headings should be used with care. The *Framework for the Preparation and Presentation of Financial Statements* states that to be useful, information must be relevant and faithfully represent what it purports to represent. That is, it must be complete, neutral and free from error. The apparent flexibility in AASB 101 can, therefore, only be used to enhance users' understanding of the company's financial performance. It cannot be used to detract from the amounts that must be disclosed under Australian Accounting Standards (statutory measures).

ASIC-RG230 (28)-(30)

19. ASIC Regulatory Guide 230 *Disclosing non-IFRS financial information explains* when and how entities may use non-IFRS financial information in financial reports. Non-IFRS financial information is financial information that is presented other than in accordance with all relevant accounting standards. It may exclude certain transactions or may have been determined by applying different recognition and measurement rules. Since the *Corporations Act 2001* sets out an exhaustive list of what can be included in the primary financial statements, entities cannot include non-IFRS financial information in their financial statements and can only provide such information in the notes in the rare circumstances where it is necessary for the financial report to give a true and fair view. In these cases, the directors must explain in the directors' report why they believe the additional information was necessary to give a true and fair view and specify where that additional information can be found (see commentary within the directors' report for further information).

CA295(3)(c)
CA298(1A)

Statement of comprehensive income

AASB101(85A)

20. Additional subtotals must:
    - (a) be comprised of items that are recognised and measured in accordance with Australian Accounting Standards;
    - (b) be presented and labelled such that they are clear and understandable;
    - (c) be consistent from period to period; and
    - (d) not be displayed with more prominence than the mandatory subtotals and totals.

    In addition, we recommend that entities consider the following principles:
    - (a) the subtotals should not introduce bias or overcrowd the statement of profit or loss;
    - (b) it is generally not permissible to mix natural and functional classifications of expenses where these categories of expenses overlap (see paragraph 30 below);
    - (c) additional line items or columns should contain only contain revenue or expenses of the entity itself;
    - (d) additional line items, columns and subtotals should only be presented when they are used internally to manage the business; and
    - (e) the overall message of the statement of profit or loss should not be distorted or confused.

ASIC-RG230(29)

21. In relation to the inclusion of sub-totals and additional line items in the statement of comprehensive income, the ASIC guide19 reminds entities of the following principles in AASB 101:
    - (a) a breakdown of individual items within their relevant category is permitted and even required in certain circumstances, but this doesn't cover the inclusion of sub-totals that are non-IFRS measures (e.g. alternative profit figures).
    - (b) the statement of comprehensive income must show total revenue and total income tax expense/benefit.
    - (c) no items of income or expenditure can be presented as 'extraordinary', even if they are given a different name.
    - (d) the statement of comprehensive income can only include revenue or expense items and items of other comprehensive income and the items must be measured in accordance with the accounting standards. It is therefore not appropriate, for example, to present an amount of revenue that is based on cash collections.

Operating profit

IAS1(BC56)

22. An entity may elect to include a sub-total for its result from operating activities. While this is permitted, care must be taken that the amount disclosed is representative of activities that would normally be considered to be 'operating'. Items that are clearly of an operating nature, e.g. a substantial fair value loss or impairment of receivables, must not be excluded simply because they occur infrequently or are unusual in amount. Similarly, expenses cannot be excluded on the grounds that they do not involve cash flows (e.g. amortisation). As a general rule, operating profit would be the subtotal after 'other expenses', i.e. excluding finance costs, share of profits of equity-accounted investments.

Re-ordering of line items

AASB101(86)

23. Entities should re-order the line items and descriptions of those items where this is necessary to explain the elements of performance. However, entities are again governed by the overall requirement for a 'fair presentation' and should make any changes where there is a good reason to do so.

Extraordinary items not permitted

AASB101(87)

24. An entity shall not present any items of income and expense as extraordinary items, either in the statement of comprehensive income or in the notes.

Statement of comprehensive income

Goods and Services Tax (GST)

UIG1031(6),(7)

25. UIG 1031 *Accounting for the Goods and Services Tax* (GST) provides that revenues and expenses must be recognised net of the amount of GST, except where GST relating to expense items is not recoverable from the taxation authority, when it must be recognised as part of the item of expense. PwC recommends that entities not able to recover GST relating to particular expense items should include a policy note indicating which expense items disclosed in the financial statements are inclusive of non-recoverable GST. They could also amend the wording of specific disclosures (e.g. auditor's remuneration) to make it clear that the amounts disclosed are inclusive of non-recoverable GST.

Set-off of income and expenses

AASB101(32)

26. Income and expenses shall not be offset unless required or permitted by an Australian Accounting Standard.

AASB101(35)

27. Examples of income and expense that are required or permitted to be offset, as applicable to investment funds, are gains and losses arising from a group of similar transactions reported on a net basis, for example, losses arising on financial instruments at fair value through profit or loss.

Financial instruments at fair value through profit or loss

AASB9(5.7.1)

28. A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognised in profit or loss unless:
    (a) it is part of a hedging relationship;
    (b) it is an investment in an equity instrument and the entity has elected to classify the investment at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9;
    (c) it is a financial liability designated as at fair value through profit or loss and the entity is required to present the effects of changes in the liabilities' credit risk in other comprehensive income in accordance with paragraph 5.7.7 of AASB 9; or

    it is a financial asset measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9 and the entity is required to recognise some changes in fair value in other comprehensive income in accordance with paragraph 5.7.10 of AASB 9.

AASB121(52)

29. An entity shall disclose the amount of foreign exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with AASB 9. Accordingly, the entity need not isolate that portion of the results of operations resulting from changes in foreign exchange rates on trading securities from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included within the gain or loss on financial instruments at fair value through profit or loss in the statement of comprehensive income.

Interest income and expense

AASB7(20)(b)

30. An entity shall disclose total interest income and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9 (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.

AASB101(82)(a)

In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of profit or loss shall include a line item that presents separately interest revenue calculated using the effective interest method.

Statement of comprehensive income

The IFRS Interpretations Committee (the 'Committee') issued an agenda decision in March 2018 which concluded that the requirement in paragraph 82(a) of AASB 101 to present separately an interest income line item calculated using the effective interest method applies only to those assets that are subsequently measured at amortised cost or fair value through other comprehensive income. Consequently, interest income on financial assets measure at fair value through profit and loss should not be included in the same line item as interest income calculated using the effective interest method.

Some entities might wish, as a matter of accounting policy, to present additional line items, on the face of the income statement, for 'interest' on instruments measured at fair value through profit or loss. Whilst not addressed by the Committee, AASB 101 permits an entity to present additional line items where doing so is relevant to an understanding of the entity's financial performance. If such a presentation is adopted, the additional line items should be appropriately presented and labelled. Also, the entity's accounting policy, including how such amounts are calculated and on which instruments, should be disclosed.

AASB9(5.1.1)

Transaction cost

31. At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

Withholding taxes

AASB112(2),(77)

32. Dividends are recognised gross of any withholding taxes payable. Consideration should be given to the presentation of withholding taxes as a separate line item on the statement of comprehensive income, if material.

33. VALUE ACCOUNTS Unit Trust does not recognise income tax expense as taxes are levied on unitholders. For investment companies, it is arguable that withholding taxes are within the scope of AASB 112 and therefore should be shown as part of the income tax expense.

Finance costs

AASB101(82)(b)

34. Where unitholders' funds are classified as a liability, the finance costs presented in the statement of comprehensive income include distributions to the unitholders during the period as well as changes in net assets attributable to unitholders (being the undistributed profit of the entity). Refer to Appendix G for illustrative financial statements of a fund where net assets attributable to unitholders is classified as a liability.

AASB133(2)(a)

Earning per shares (EPS)

35. As VALUE ACCOUNTS Unit Trust does not have ordinary shares traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), the EPS disclosures do not apply.

For funds with puttable units that are traded in a public market, the EPS disclosures are also not applicable as the units do not meet the definition of an equity instrument in AASB 132. This applies even if the units are presented as equity because they satisfy the puttable exemption. However, funds may voluntarily disclose earnings per units. In this case they will need to comply with the requirements in AASB 133.

AASB133(3)

Changes in accounting estimates

AASB108(36),(37)

36. The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

AASB108(39)

37. An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

Refer to VALUE ACCOUNTS Holdings Limited financial reporting 2019 publication, page 155 for an example disclosure and further guidance.

Balance sheet[1-24]

		Notes	30 June 2020 $'000	30 June 2019 $'000
			As at	
	Assets[6-9]			
AASB101(54)(i)	Cash and cash equivalents[10-13]	13	**3,670**	1,325
	Margin accounts[14]		**1,420**	2,223
	Due from brokers - receivable for securities sold[17]		**1,962**	984
AASB101(54)(h)	Receivables		**251**	128
	Other assets		**246**	320
AASB101(54)(d)	Financial assets at fair value through profit or loss	7	**117,520**	90,716
	Total assets		**125,069**	95,696
	Liabilities[6-9]			
AASB101(54)(k)	Due to brokers - payable for securities purchased[17]		**817**	2,597
	Distribution Payable [20,21]		**50**	-
	Payables		**76**	68
	Other liabilities		**256**	144
AASB101(54)(m)	Financial liabilities at fair value through profit or loss[15-16]	8	**12,215**	9,738
	Total liabilities		**13,414**	12,547
	Net assets attributable to unitholders – Equity	11	**111,655**	83,149

Not mandatory

The above balance sheet should be read in conjunction with the accompanying notes.

Balance sheet

Requirements for the presentation of the balance sheet

AASB101(Aus11.1)
AASB101(10)

1. Requirements for the presentation of the balance sheet are set out in AASB 101 *Presentation of Financial Statements.* The standard applies to each entity which is required to prepare financial statements in accordance with Part 2M.3 of the *Corporations Act 2001*, general purpose financial statements of each reporting entity, and to financial statements that are, or are held out to be, general purpose financial statements.

   While the standard now refers to the balance sheet as 'statement of financial position', entities are permitted to retain the previous title of 'balance sheet'.

Information to be disclosed

In the balance sheet

AASB101(54)(55)

2. Paragraph 54 of AASB 101 sets out the line items that shall as a minimum be presented in the balance sheet. Additional line items, headings and subtotals shall be presented in the balance sheet when such presentation is relevant to an understanding of the entity's financial position.

AASB101(54)

3. As a minimum, the balance sheet shall typically include line items that present the following amounts (not all being applicable to a typical investment fund):
   (a) property, plant and equipment;
   (b) investment property;
   (c) intangible assets;
   (d) financial assets (excluding amounts shown under separate lines)
   (e) investments accounted for using the equity method;
   (f) trade and other receivables;
   (g) cash and cash equivalents;
   (h) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations;
   (i) trade and other payables;
   (j) provisions;
   (k) financial liabilities (excluding amounts shown under separate lines);
   (l) liabilities and assets for current tax, as defined in AASB 112 Income Taxes;
   (m) deferred tax assets and liabilities, as defined in AASB 112;
   (n) liabilities included in disposal groups classified as held for sale in accordance with AASB 5;
   (o) non-controlling interest, and
   (p) issued capital, reserves and retained earnings attributable to owners of the parent.

AASB101(77)(78)

4. An entity shall disclose, either in the balance sheet or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the requirements of Australian Accounting Standards and on the size, nature and function of the amounts involved. The balance sheet of VALUE ACCOUNTS Unit Trust shows an immaterial amount of 'other assets' and 'other liabilities'. However, if these were material, further details should be disclosed either in the balance sheet or in the notes.

Balance sheet

Either in the balance sheet or in the notes

AASB7(8)

5. The carrying amounts of each of the following categories, as specified in AASB 9, shall be disclosed either in the statement of financial position or in the notes:
   (a) financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently, and (ii) those mandatorily measured at fair value through profit or loss
   (b) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently and (ii) those that meet the definition of held for trading.
   (c) financial assets measured at amortised cost.
   (d) financial liabilities measured at amortised cost.
   (e) financial assets measured at fair value through other comprehensive income, showing separately (i) debt instruments that are measured at fair value through other comprehensive in accordance with paragraph 4.1.2A of AASB 9; and (ii) investments in equity instruments designated as such upon initial recognition.

   In addition to the above disclosures, AASB 7 *Financial Instruments: Disclosures* provides further guidance on the disclosures that shall be included for assets and liabilities, as set out in the commentary to note 2 and 3 to the financial statements

AASB101(60)

Current/non-current vs liquidity presentation

6. An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet except when a presentation based on liquidity provides information that is reliable and is more relevant. When the exception applies, all assets and liabilities should be presented broadly in order of liquidity.

AASB101(60)(61)(63)

7. An investment fund typically groups assets and liabilities by nature and presents them in decreasing order of liquidity, which may equate broadly to their maturities. This presentation is more relevant than distinguishing between current and non-current items as most assets and liabilities can be realised or settled in the near future.

AASB101(61)

8. Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled: no more than twelve months after the reporting period and more than twelve months after the reporting period.

9. VALUE ACCOUNTS Unit Trust expects that all asset and liability amounts will be recovered or settled no more than twelve months after the reporting period, except for financial assets at fair value through profit or loss.

   In the case of financial assets at fair value through profit or loss, the Fund will manage the portfolio of assets based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date. This is explained in note 2(a) of VALUE ACCOUNTS Unit Trust's financial statements.

Cash and cash equivalents

AASB107(6)

10. Cash includes cash on hand and demand deposits. Cash equivalents are short-term highly liquid (with an original maturity of about 3 months or less) investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

AASB107(7)

11. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Investments normally only qualify as cash equivalents if they have a short maturity of three months or less from the date of acquisition.

12. Equity instruments can only be included if they are in substance cash equivalents, e.g. preferred shares with fixed redemption dates that are acquired within a short period of their maturity.

Balance sheet

13. An investment in a cash management trust may meet the definition of a cash equivalent for statement of cash flow purposes where all investments held in the cash management trust qualify individually as cash and cash equivalents.

    However, ordinarily a cash management trust would not meet the above definition and could not be a cash equivalent and would typically be at fair value through profit or loss.

Margin accounts

AASB107(7)

14. Margin accounts represent restricted margin deposits for derivative financial instruments and/or for securities sold short. Only non-restricted margin accounts with short maturities should be included as part of cash and cash equivalents.

Offsetting a financial asset and a financial liability

AASB132(42)

15. Financial assets and liabilities are offset and the net amount reported in the balance sheet 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. Specific disclosures apply to financial assets and liabilities which are offset in the balance sheet (or could be potentially offset) to recognise the net exposure (when financial instruments are subject to an enforceable master netting arrangement or similar agreements). Please see note 4 to the financial statements for further information.

AASB132(43)

16. In other circumstances, financial assets and financial liabilities are presented separately from each other.

17. Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but that have not yet settled at year end. In certain circumstances a netting arrangement may exist with brokers to allow the netting of unsettled trades.

Net assets attributable to unitholders

AASB132(16)

18. AASB 132 *Financial Instruments: Presentation* defines a liability as a contractual obligation to deliver cash or another financial asset. If no contractual obligation to deliver cash or another financial asset exists, the financial instrument is classified as equity. The rules regarding puttables in AASB 132 may also impact on classification as equity. Refer to commentary within note 11 for further information on the puttables guidance.

AASB132(18)

19. The substance of a financial instrument, rather than its legal form governs its classification on the entity's balance sheet.

Distributions payable

20. Distributions are payable as set out in the Fund's product disclosure statement and Fund's constitution.
21. VALUE ACCOUNTS Unit Trust has recognised a distribution payable at 30 June 2020 as the responsible entity, as authorised by the fund constitution, determined the amount of cash to be distributed at 30 June 2020.

Equity reserves

22. Although not depicted for VALUE ACCOUNTS Unit Trust, there may be circumstances where an investment fund must recognise changes in the fair value of its financial assets and liabilities through other comprehensive income rather than in profit or loss. Those changes are accumulated in equity reserves. An example of an equity reserve would be a cash flow hedging reserve, which is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges.

23. In situations where investment funds have units classified as a liability with reserves which must be classified as equity, we recommend that management consult with their PwC representative, as there is diversity in practice on how this might be presented in the financial statements.

Three balance sheets required in certain circumstances

AASB101(40A), (40B)

24. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it must provide a third balance sheet (statement of financial position) as at the beginning of the earliest comparative period presented.

Statement of changes in equity[1-6]

			Year ended	
			30 June 2020	30 June 2019
		Notes	**$'000**	$'000
	Total equity at the beginning of the financial year		**83,149**	77,187
AASB101(106)(a)	**Comprehensive income for the year**			
AASB101(106)(d)(i)	Profit/(loss) for the year		**11,235**	(3,775)
AASB101(106)(d)(ii)	Other comprehensive income		**-**	-
AASB101(106)(a)	**Total comprehensive income for the year**		**11,235**	(3,775)
AASB101(106)(d)(iii)	**Transactions with unitholders**	11		
AASB101(106)(d)(iii)	Applications		**26,991**	12,902
AASB101(106)(d)(iii)	Redemptions		**(8,670)**	(2,165)
AASB101(106)(d)(iii)	Units issued upon reinvestment of distributions		**-**	-
AASB101(106)(d)(iii)	Distributions paid and payable	12	**(1,050)**	(1,000)
	Total transactions with unitholders		**17,271**	10,737
	Total equity at the end of the financial year		**111,655**	83,149

Not mandatory

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

Statement of changes in equity

Requirements for the presentation of a statement of changes in equity

AASB101(Aus1.1)

1. Requirements for the presentation of a statement of changes in equity are set out in AASB 101 *Presentation of Financial Statements*. The standard applies to each entity which is required to prepare financial statements in accordance with Part 2M.3 of the *Corporations Act 2001*, general purpose financial statements of each reporting entity, and to financial statements that are, or are held out to be, general purpose financial statements.
2. A statement of changes in equity must be included in the financial statements even if there is no equity, as VALUE ACCOUNT Unit Trust classifies units as equity, please refer to Appendix G for an alternative presentation of primary statements for units classified as liabilities.

Information to be disclosed

In the statement

AASB101(106)

3. An entity shall present a statement of changes in equity showing in the statement:

AASB101(106)(a)

   (a) total comprehensive income for the period showing separately the total amounts attributable to owners of the parent and to non-controlling interest

AASB101(106)(b)

   (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108 *Accounting Policies, changes in Accounting Estimates and Errors*

AASB101(106)(d)(i-iii)

   (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes from:
      (i) profit or loss
      (ii) other comprehensive income, and
      (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in the loss of control.
4. As the fund is exempt from income taxes and attributes income to its unit holders, it does not distinguish between different components of equity as this is maintained individually for each unitholder based on their date of investment and cost basis of their investment. Therefore, only one column is presented in the statement of changes in equity.

   However, a statement of changes in equity will need to present separate columns for separate equity items where the fund is not exempt from income taxes. Refer to VALUE ACCOUNTS Holdings annual financial reporting December 2019 publication page 61 for illustration and further information.

   Further, equity reserves such as foreign currency translation reserves or cash flow hedge reserves should be presented in the statement of changes in equity. As the Fund does not have any have any these have not been included in the template disclosure.

Net assets attributable to unitholders

AASB132(16A)

5. The Fund's units have been classified as equity as they satisfied the following criteria in paragraph 16A of AASB 132 Financial instruments:
   (a) the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
   (b) the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
   (c) the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
   (d) the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

AASB101(80)

Statement of changes in equity

6. Where the Fund changed its constitution and the other conditions to adopt the AMIT tax regime have been met during the year (rather than from 1 July 2017), the amount reclassified to equity will reflect the net assets attributable to unitholders on the day before the change become effective. As a consequence, application, redemptions, units issued upon reinvestment of distributions and distributions paid and payable presented in the statement of changes in equity will only include transactions that occurred on or after the reclassification of units to equity.

Statement of cash flows[1-20]

			Year ended	
			30 June 2020	30 June 2019
		Notes	**$'000**	$'000
AASB107(10)(21)	**Cash flows from operating activities[11-13]**			
AASB107(15)	Proceeds from sale of financial instruments at fair value through profit or loss		**9,223**	7,188
AASB107(15)	Purchase of financial instruments at fair value through profit or loss		**(28,125)**	(16,337)
AASB107(31)	Dividends received		**2,935**	664
AASB107(31)	Interest received		**781**	482
AASB107(31)	Distributions received		**711**	50
AASB107(98)	Other income received		**95**	17
	Responsible entity's fees paid		**(533)**	(620)
	Payment of other expenses		**(63)**	(346)
	Net cash outflow from operating activities	14(a)	**(14,951)**	(8,902)
AASB107(10)(21)	**Cash flows from financing activities[17]**			
AASB107(17)	Proceeds from applications by unitholders		**26,991**	12,902
AASB107(17)	Payments for redemptions by unitholders		**(8,670)**	(2,165)
AASB107(17)(34)	Distributions paid to unitholders		**(1,000)**	(1,000)
	Net cash inflow from financing activities		**17,271**	9,737
	Net increase in cash and cash equivalents		**2,370**	835
	Cash and cash equivalents at the beginning of the year		**1,325**	481
AASB107(28)	Effects of foreign currency exchange rate changes on cash and cash equivalents[18]		**(25)**	9
	Cash and cash equivalents at the end of the year [4-8]	13	**3,670**	1,325
AASB107(43)	Non-cash financing activities[19]	14(b)		

Not mandatory

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

Statement of cash flows

Requirements for the presentation of a statement of cash flows

AASB101(10)(d)

1. AASB 101 *Presentation of Financial Statements* requires that the financial statements include a statement of cash flows.

AASB107(Aus 1.1)

2. Requirements for the presentation of a statement of cash flows are set out in AASB 107 *Statement of Cash Flows*. The standard applies to each entity which is required to prepare financial statements in accordance with Part 2M.3 of the *Corporations Act 2001*, general purpose financial statements of each reporting entity, and to financial statements that are, or are held out to be, general purpose financial statements.

Information to be disclosed

AASB107(10)

3. The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

Cash and cash equivalents

AASB107(45)

4. An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the balance sheet.

AASB107(46)

5. In view of the variety of cash management practices and banking arrangements between entities, financial statements should disclose the policy being adopted in determining the composition of cash and cash equivalents.

AASB107(7)

6. In accordance with AASB 107, cash equivalents within the statement of cash flows can include short term maturing assets (three months or less) from the date of acquisition, provided they are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.
7. Under Australian Accounting Standards, an investment in a cash management trust may meet the definition of a cash equivalent for statement of cash flows purposes (see the commentary on the Balance Sheet for further information). However, normally these would be disclosed as at fair value through profit or loss.

AASB107(8)

8. Bank borrowings are generally considered to be financing activities. However, bank overdrafts which are repayable on demand may form part of an entity's cash management for unsettled trades or unsettled unit transactions. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents (for statement of cash flows purposes). A characteristic of such arrangements is that the bank balance often fluctuates from being positive to overdrawn. For balance sheet presentation purposes it is appropriate to include an overdraft as a liability.

Goods and Services Tax (GST)

UIG1031(10)(11)

9. UIG 1031 *Accounting for the Goods and Services Tax (GST)* provides that cash flows shall be included in the statement of cash flows on a gross basis, except that the GST relating to cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows.

Reporting cash flows

On a net basis

AASB107(22)

10. Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

AASB107(23)

(a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity (e.g. funds held for customers by an investment entity); and

AASB 107(24)

(b) cash receipt and payments for items in which the turnover is quick, the amounts are large, and the maturities are short (e.g. the purchase and sale of investments).

Statement of cash flows

Operating activities

AASB107(18)

11. An entity shall report cash flows from operating activities using either:
    (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed, or
    (b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

AASB107(19)

12. However, AASB 107 encourages entities to use the direct method, as it provides information which may be useful in estimating future cash flows and which is not available under the indirect method. VALUE ACCOUNTS Unit Trust therefore uses the direct method.

AASB107(15)

13. An investment fund typically holds securities for dealing or trading purposes, which is the main income generating activity. Accordingly, cash flows arising from the purchase and sale of financial instruments at fair value through profit or loss are classified as operating activities.

Interest and dividends/distributions

AASB107(31)

14. Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.

AASB107(33)

15. Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

AASB107(34)

16. Dividends or distributions paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, they may be classified as operating cash flows to assist users to determine the ability of an entity to pay dividends or distributions out of operating cash flows.

Financing activities

AASB107(17)

17. Cash flows arising from financing activities are cash flows to and from providers of capital (i.e. the unitholders).

Effects of exchange rate changes

AASB107(28)

18. Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates.

Non-cash investing and financing transactions

AASB107(43)

19. Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from a statement of cash flows. Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities. This is illustrated in note 14 to the financial statements.

Where no cash flows

20. A statement of cash flows must be included in the financial statements even if there are no cash flows (and no cash or cash equivalent balances). Preferably, the statement should include the minimum line items that are required to be presented under AASB 107 *Statement of Cash Flows*, with zero amounts for the current and comparative period. However, it may also be acceptable to replace the individual line items with an explanation that there were no cash flows during the current and previous financial years, provided this explanation is given under the heading of 'statement of cash flows' and is presented as part of the financial statements, before the notes to the financial statements.

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Contents of the notes to the financial statements

Content

AASB101(112)

1. The notes to the financial statements of an entity shall:
   (a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117 - 124 of AASB 101
   (b) disclose the information required by Australian Accounting Standards that is not presented elsewhere in the financial statements, and
   (c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of them.

Systematic structure

AASB101(113)

2. Notes shall, as far as practicable, be presented in a systematic manner, keeping in mind the understandability and comparability of the financial statements. Each item in the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows shall be cross referenced to any related information in the notes.

AASB101(114)

3. Examples of systematic ordering of notes include:
   (a) giving prominence to the areas of the entity's activities that are most relevant to an understanding of the financial performance and financial position, for example by grouping together information about particular operating activities
   (b) grouping together information about items that are measured similarly, for example assets measured at fair value, or
   (c) following the order of the line items in the financial statements, by disclosing
      (i) a statement of compliance with Australian Accounting Standards (refer to paragraph 16 of AASB 101)
      (ii) a summary of significant accounting policies applied (paragraph 117 of AASB 101)
      (iii) supporting information for items presented in the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows, in the order in which each statement and each line item is presented, and
      (iv) other disclosures, including:
         - contingent liabilities (AASB 137) and unrecognised contractual commitments, and
         - non-financial disclosures; for example, the entity's financial risk management objectives and policies (AASB 7).

AASB101(116)

4. Notes providing information about the basis of preparation of the financial statements and specific accounting policies may be presented as a separate component of the financial statements.

5. In our illustrative Fund financial report, we have presented information about specific aspects of the entity's financial position and performance together. For example, information about the entity's financial instruments and the entity's management of financial risks is dealt with in notes 3 to 10 while information about unitholders and cash flow information is presented in notes 11 to 12 and notes 13 to 14 respectively. Colour coding helps to find relevant information quickly.

6. It is important to note that the structure used in this publication is not mandatory and is only one possible example of improved readability. In fact, our experience has shown that there is not one structure that is suitable for all entities. Rather, the appropriate structure depends on the entity's business and each entity should consider what would be most useful and relevant for their stakeholders based on their individual circumstances.

AASB PS2

7. When drafting the disclosures in the notes to the financial statements, also remember that too much immaterial information could obscure the information that is actually useful to readers. Some of the disclosures in this publication would likely be immaterial if VALUE ACCOUNTS Unit Trust was a 'real life' entity. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the unit trust only provides the framework for these disclosures and the amounts disclosed are not always realistic. Disclosures should not be included where they are not relevant or not material in specific circumstances. Further guidance on assessing materiality is provided in the non-mandatory Practice Statement 2 Making Materiality Judgements.

AASB101(138)

1 General information[1-2]

AASB101(51)(b)
AASB101(138(d)

These financial statements cover VALUE ACCOUNTS Unit Trust (the 'Fund') as an individual entity. The Fund was constituted on 1 July 1998. The Fund will terminate on 30 June 2078 unless terminated earlier in accordance with the provisions of the Fund Constitution.

AASB101(138)(a)
AASB101(51)(d)

The responsible entity of the Fund is VALUE ACCOUNTS Investment Funds Limited (the 'responsible entity'). The responsible entity's registered office is 350 Harbour Street, Sydney, NSW 2000. The financial statements are presented in the Australian currency.

AASB101(138)(b)

The Fund aims to generate significant medium-term capital growth within a rigorous risk management framework, in accordance with the objectives stated in the Product Disclosure Statement. It aims to achieve these objectives by trading a highly diversified portfolio of equity securities of Australian companies included in the ASX 300 index, equity securities listed on international exchanges, debt securities, related derivatives, and unlisted unit trusts.

AASB110(17)

The financial statements were authorised for issue by the directors of the responsible entity on 14 September 2020. The directors of the responsible entity have the power to amend and reissue the financial statements.

General information

General information disclosures

AASB101(138)

1. An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:
   (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office)
   (b) a description of the nature of the entity's operations and its principal activities
   (c) the name of the parent, responsible entity and the ultimate parent of the group, and
   (d) if it is a limited life entity, information regarding the length of its life.

Date of authorisation for issue

AASB110(17),(18)

2. An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. It is important for users to know when the financial statements were authorised for issue, because the financial statements do not reflect events after this date.

AASB101(10)(e)

2 Summary of significant accounting policies[1-42]

AASB101(112)(a), (112)(b)

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

AASB101(119)

(a) Basis of preparation[1]

AASB1054(7)-(9)

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. VALUE ACCOUNTS Unit Trust is a for-profit unit trust for the purpose of preparing the financial statements.

AASB101(117)(a)

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

AASB101(60)-(61) The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

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

(i) Compliance with International Financial Reporting Standards[2,3]

AASB101(16) The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Fund[7-16]

AASB108(28) There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(iii) New standards, amendments and interpretations effective after 1 July 2020 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1July 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial asset and liabilities at fair value through profit or loss

AASB7(21)

(i) Classification

AASB9(4.1.1)
AASB9(B4.1.6)

Assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

AASB9(4.1.4)

Equity securities and derivatives are measured at fair value through profit or loss.

AASB9(4.1.4)

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 Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

Liabilities

AASB9(4.2.1)

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

(ii) Recognition/derecognition

AASB9(3.1.1)

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

AASB9(3.2.3)

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

AASB7(21)

(iii) Measurement

AASB9(5.1.1)

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

AASB9(5.2.1)
AASB9(5.7.1)

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. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair values of financial instruments are determined please see Note 5 to the financial statements.

AASB132(42)

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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. Refer to Note 4 to the financial statements for further information.

AASB101(119)

(d) Net assets attributable to unitholders

AASB132(18)(b), (16A)

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the responsible entity if it is in the best interests of the unitholders.

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

AASB101(136A)(c),(d)

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

AASB132(16A)

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Fund classifies the net assets attributable to unit holders as equity as they satisfy the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

AASB101(119)

(e) Cash and cash equivalents

AASB107(6),(15), (46)

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 are shown within borrowings in the balance sheet.

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 Fund's main income generating activity.

(f) Margin accounts

AASB101(119)
AASB9(3.3.23)

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

AASB7(21)

(g) Investment income[30]

AASB7(B5)(e)
AASB9(5.4.1)

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

AASB9(5.7.1A)

Dividend and distribution income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income within dividend income and distribution income when the Fund's right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

AASB101(119)

(h) Expenses

All expenses, including responsible entity's fees and custodian fees, are recognised in profit or loss on an accruals basis.

AASB101(119)

(i) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income within other operating expenses.

AASB101(119)

(j) Distributions[32,33]

Distributions are payable as set out in the Fund's product disclosure statement and/or Fund's constitution. Such distributions are recognised as payable when they are determined by the responsible entity of the Fund.

AASB101(119)

(k) Foreign currency translation

AASB121(9),(17),(18)

(i) Functional and presentation currency

Items included in the Fund'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 Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

AASB121(21),(28)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

AASB121(23)(c)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/ (losses) on financial instruments at fair value through profit or loss.

AASB101(119)

(l) Due from/to brokers

AASB7(21)
AASB9(4.1.2)

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

AASB9(5.1.1)
AASB9(5.5)

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker 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 Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker 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.

AASB101(119)

(m) Receivables

AASB7(21)

Receivables may include amounts for 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(f) above. Amounts are generally received within 30 days of being recorded as receivables.

AASB9(5.1.1) AASB9(5.5)

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund 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 Fund 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.

AASB7(B5)(d)

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

AASB101(119)

(n) Payables

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

AASB101(119)

(o) Applications and redemptions

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

AASB101(119)

(p) Goods and Services Tax (GST)

UIG1031

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

AASB101(119)

(q) Use of estimates

AASB101(122)

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

For the majority of the Fund’s financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the responsible entity, independent of the area that created them.

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

For more information on how fair value is calculated please see note 5 to the financial statements.

ASIC2016/191

(r) Rounding of amounts[35]

AASB101(51)(e)

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Summary of significant accounting policies

Basis of preparation

1. The notes to the financial statements must include the following:

AASB1054(7), (RDR7.1)
   (a) where applicable – a statement of compliance with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements

AASB1054(8)(a)
   (b) the statutory basis or other reporting framework, if any, under which the financial statements are prepared

AASB1054(8)(b)
   (c) whether the entity is a for-profit or a not-for-profit entity for the purposes of preparing the financial statements,

AASB1054(9)
   (d) whether the financial statements are general purpose financial statements or special purpose financial statements, and

AASB101(16)
   (e) where applicable, a statement of compliance with IFRS (refer to paragraph 16 of AASB 101 and commentary 2 to 3 below).

AASB101(114)(a)
   AASB 101 no longer prescribes where in the notes these statements should be disclosed. PwC recommends that they are disclosed at the beginning of the accounting policy note under the heading 'Basis of preparation'.

Statement of compliance with IFRS

AASB101(16)
2. An entity whose financial statements and notes comply with IFRS shall make an explicit and unreserved statement of such compliance in the notes. The financial statements and notes shall not be described as complying with IFRS unless they comply with all the requirements of IFRS.

Where compliance with Australian Accounting Standards does not lead to compliance with IFRS

AASB101(Aus 16.2), (Aus16.3) AASB1053(9)
3. In some circumstances compliance with Australian Accounting Standards will not lead to compliance with IFRS. These circumstances include, for example, when the entity is a for-profit public sector entity to which AASB 1004 *Contributions* applies and the entity has applied a requirement in that standard that overrides the requirements in an Australian equivalent to IFRS. Other examples are special purpose financial statements of non-reporting entities and financial statements prepared under tier 2 of the reduced disclosure regime, as neither of these will include all of the disclosures required by full IFRS. Where the financial statements do not comply with IFRS, the statement of compliance must be omitted. Not-for-profit entities are not required to make a statement of explicit and unreserved compliance with IFRS.

Summary of accounting policies

Contents

4. A summary of significant accounting policies must include:

AASB101(117)(a)
   (a) the measurement basis (or bases) used in preparing the financial statements, and

AASB101(117)(b)
   (b) the other accounting policies used that are relevant to an understanding of the financial statements.

Separate components of financial statements

AASB101(116)
5. The summary of accounting policies may be presented as a separate component of the financial statements.

Whether to disclose an accounting policy

AASB101(119)
6. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Australian Accounting Standards. Some Australian Accounting Standards specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, AASB 107 *Statement of Cash Flows* requires disclosure of the entity's policy in determining the composition of cash and cash equivalents.

AASB107(46)

Summary of significant accounting policies

Changes in accounting policies and presentation

Initial application of an Australian Accounting Standard

AASB108(28)

7. When initial application of an Australian Accounting Standard has an effect on the current period or any prior period, or would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:
   (a) the title of the Australian Accounting Standard
   (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions
   (c) the nature of the change in accounting policy
   (d) when applicable, a description of the transitional provisions
   (e) when applicable, the transitional provisions that might have an effect on future periods:
   (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
      (i) for each financial statement line item affected, and
      (ii) if AASB 133 applies to the entity, for basic and diluted earnings per share
   (g) the amount of the adjustment relating to periods before those presented, to the extent practicable, and
   (h) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

   Financial statements of subsequent periods need not repeat these disclosures.

8. AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors does not prescribe any format for these disclosures. For an illustrative disclosure, refer to Note 26 of VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2019 publication.

Impact of change on the current period

AASB108(28)(f)

9. AASB 108 specifically requires disclosure of the effect of a change in accounting policy not only on prior periods but also on the current period, unless it is impracticable to determine the amount of the adjustment. To make this disclosure, entities will need to apply both the old accounting policy and the new policies parallel in the year of adoption. The standard includes a definition of impracticable and a set of criteria that must be satisfied for the exemption to be applied, setting quite a high hurdle for using this exemption.

AASB101(38-40)

10. When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three balance sheets, two of each of the other statements, and related notes. However, where the retrospective change in policy or the restatement has no effect on this earliest balance sheet, it would be sufficient for the entity to merely disclose that fact.
11. New or revised accounting standards and interpretations only need to be disclosed if they resulted in a change in accounting policy which had an impact in the current year or could impact on future periods. There is no need to disclose pronouncements that did not have any impact on the entity's accounting policies and amounts recognised in the financial statements. Refer to Appendix D for the list of standards and interpretations that apply for the first time to financial reporting periods commencing on or after 1 July 2019.

Summary of significant accounting policies

Voluntary change in accounting policy

AASB108(29)

12. When a voluntary change in accounting policy has an effect on the current period or any prior period, or would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:
    (a) the nature of the change in accounting policy
    (b) the reasons why applying the new accounting policy provides reliable and more relevant information
    (c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
        (i) for each financial statement line item affected, and
        (ii) if AASB 133 applies to the entity, for basic and diluted earnings per share
    (d) the amount of the adjustment relating to periods before those presented, to the extent practicable, and
    (e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

    Financial statements of subsequent periods need not repeat these disclosures.

Impact of changes on prior interim financial reports

AASB101(112)(c)

13. There is no longer an explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial statements of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect as part of the disclosures made under paragraphs 28 and 29 of AASB 108.

Early adoption of accounting standards

CA334(5)

14. Entities wishing to adopt an accounting standard before its mandatory operative date must make a formal, written election to do so in accordance with CA 334(5) and disclose that fact in the notes.

15. The accounting policies have been prepared on the basis that VALUE ACCOUNTS Unit Trust has not early adopted any standards. The impact of standards that have not been early adopted is disclosed in note 2(r). Refer to Appendix D for a list of standards that were available for early adoption as at 31 January 2020.

Inappropriate accounting policies not rectified by disclosure

AASB101(18)

16. Inappropriate accounting policies cannot be rectified either by disclosure of the accounting policies used or by notes or explanatory material.

Where compliance with an Australian Accounting Standard is misleading

AASB101(23)

17. In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:
    (a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Framework*
    (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

Summary of significant accounting policies

Going concern

AASB101(25)

18. When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. For example, funds that will be terminated 12 months from balance date are required to disclose that they are prepared on a liquidation basis in Note 1 of the financial statements.

Accrual basis of accounting

AASB101(27)

19. An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

Investment entity exception

AASB10(31),(32)

20. AASB 10 for investment entities includes an exception to the consolidation rules for those entities qualifying as "investment entities". Subsidiaries of investment entities will be accounted for at fair value through profit or loss, in accordance with AASB 9 *Financial Instruments*.
21. A parent entity will need to make an assessment of whether it meets the definition of an investment entity. An investment entity is defined as an entity that:
    (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

    AASB10(27)

    (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
    (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

AASB10(28)

22. A parent entity will also need to consider a set of typical characteristics. These, combined with the above definition, are intended to allow for an appropriate balance between creating a clear scope and allowing judgment in assessing whether an entity is an investment entity. The characteristics are:
    (a) holding more than one investment;
    (b) having more than one investor;
    (c) having investors that are not related parties of the entity; and
    (d) having ownership interests in the form of equity or similar interests.

AASB10(31)

23. Except as noted in paragraph 24 below, an investment entity shall not consolidate its subsidiaries or apply business combination accounting when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss.

AASB10(32)

24. If an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing services that relate to the investment entity's investment activities, it shall consolidate that subsidiary in accordance with AASB 10.

Summary of significant accounting policies

25. VALUE ACCOUNTS Unit Trust does not have subsidiaries and does not apply investment entity accounting. An illustrative policy for an entity which applies investment entity accounting could be disclosed as follows:

    The Fund has multiple investments which are controlled by it. However, the Fund has determined that it is an investment entity under the definition in AASB 10 as it meets the following criteria:

    (a) the Fund has obtained funds from unitholders for the purpose of providing them with investment management services;

    (b) the Fund's business purpose, which it communicated directly to unitholders, is investing solely for returns from capital appreciation and investment income; and

    (c) the performance of investments made by the Fund are measured and evaluated on a fair value basis.

    The Fund also meets all of the typical characteristics of an investment entity. As the Fund measures all of its controlled entities at fair value through profit or loss, it only presents separate financial statements.

AASB101(117)
AASB7(B5)(a)-(aa)

26. VALUE ACCOUNTS Unit Trust does not designate any assets or liabilities at fair value through profit and loss. For entities that have designated investments at asset or liabilities at fair value through profit and loss, AASB 7 *Financial Instruments: Disclosures* states that this policy disclosure may include:

    (a) the nature of the financial assets or financial liabilities the entity has designated as at fair value through profit or loss

    (b) the criteria for so designating such financial assets or financial liabilities on initial recognition

    (c) how the entity has satisfied the conditions for such designation, and

    (d) a narrative description of:

        (i) the circumstances underlying the measurement and recognition inconsistency that would otherwise arise, or

        (ii) how designation as at fair value through profit or loss is consistent with the entity's documented risk management or investment strategies.

Investment income

AASB7(B5)(e)

27. The entity should specify how net gains or net losses on each category of financial instruments are determined. For example, the accounting policy should explain whether the net gains or net losses on items at fair value through profit or loss include interest and/or dividend income.

Fair value measurement

AASB13(9)

28. The standard 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 (exit price). Refer to commentary within Note 5 for further details on fair value measurement.

Distributions payable

29. Distributions are payable as set out in the Fund's product disclosure statement and Fund's constitution.

30. VALUE ACCOUNTS Unit Trust has recognised a distribution payable at 30 June 2020 as the responsible entity, as authorised by the fund constitution, determined and appropriately authorised the amount of cash to be distributed at 30 June 2020.

Segment information

AASB8(2)

31. VALUE ACCOUNTS Unit Trust is outside the scope of AASB 8 because it does not have debt or equity instruments traded in a public market, or file its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. For funds whose units are traded in a public market, the AASB 8 disclosures would be applicable.

Summary of significant accounting policies

Rounding of amounts

ASIC2016/191

32. See Appendix A for detailed commentary on rounding of amounts in financial statements. The commentary covers the requirements of ASIC *Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191* which permits entities to round off as follows, subject to certain conditions and exceptions:

Assets greater than:	Round off to nearest:
$10 million (but less than $1,000 million)	$1,000
$1,000 million (but less than $10,000 million)	$100,000
$10,000 million	$1,000,000

Rounding to lower prescribed amounts is also permissible, as explained in Appendix A.

Australian Accounting Standards issued but not yet effective

AASB108(30)

33. When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose:
    (a) this fact, and
    (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application.

AASB108(31)

34. In complying with paragraph 36 above, an entity considers disclosing:
    (a) the title of the new Australian Accounting Standard
    (b) the nature of the impending change or changes in accounting policy
    (c) the date by which application of the Standard is required
    (d) the date as at which it plans to apply the Standard initially, and
    (e) either:
        (i) a discussion of the impact that initial application of the Standard is expected to have on the entity's financial statements, or
        (ii) if that impact is not known or reasonably estimable, a statement to that effect.

35. The disclosures in paragraph 36 above must be made for all pronouncements that are expected to have material effect on the entity in the current period and on foreseeable future transactions. Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in future.

36. For a complete listing of standards and interpretations that were on issue as at 31 January 2019 but not yet mandatory please refer to Appendix D.

International accounting standards issued but not yet endorsed by the AASB

AASB 2019-5

37. Entities wishing to state compliance with IFRS in their Note 2 will also need to consider whether there are any international financial reporting standards and interpretations (or amendments thereof) that have not yet been endorsed by the AASB at the time of the completion of their financial report. If there are any such standards or interpretations and they are relevant to the entity, their impact on the entity's financial statements should also be discussed in Note 2.

AASB3(B64–B65)

Business combinations

38. Although not illustrated in VALUE ACCOUNTS Unit Trust, an acquirer is required to disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations effected during the reporting period and after the end of each reporting period but before the financial statements are authorised for issue.

39. Specific disclosures are required by paragraph 64 of AASB 3 *Business Combinations* for each material business combination effected during the reporting period. The information required by that paragraph shall be disclosed in aggregate for business combinations effected during the reporting period that are individually immaterial. More detailed commentary and illustrative disclosures are provided in the financial statements of VALUE ACCOUNTS Holdings Annual financial reporting December 2019 publication.

Financial instruments

Not mandatory

This section of the notes provides detailed information regarding the Fund's financial instruments. It also discusses the Fund's exposure to various risks arising from these financial instruments, how they could affect the Funds' financial position and performance and how the entity manages these risks.

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3 Financial risk management[1-32]

AASB7(31),(32),(33)

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to both moderate and create certain risk exposures.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions. On equities sold short, the maximum loss of capital can be unlimited. The maximum loss of capital on long futures and forward currency contracts is limited to the notional contract values of those positions.

The management of these risks is carried out by the investment manager under policies approved by the Board of Directors of the responsible entity. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

AASB7(33)

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

(a) Market risk[6-10]

(i) Price Risk

AASB7(33)(a),(b)

The Fund is exposed to equity securities and derivative price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Section (ii) below sets out how this component of price risk is managed and measured.

The responsible entity mitigates price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board. Between 70% and 120% of the net assets attributable to unitholders are invested in equity securities and related derivatives.

The majority of the Fund's equity investments are publicly traded and are included in the ASX 200 Index, the NYSE International 100 Index or the FTSEurofirst 300 index. Compliance with the Fund's Product Disclosure Statement and the Fund's tracking error with reference to the MSCI World Index, which is the Fund's target benchmark, is reported to the Board on a monthly basis.

The Fund's policy also limits individual equity securities to no more than 5% of net assets attributable to unitholders. The Fund had no concentrations in individual equity positions exceeding 4% (2019: 5%) of the net assets attributable to unitholders at 30 June 2020.

AASB7(34)

At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

	30 June 2020 $'000	30 June 2019 $'000
Derivatives assets	**700**	600
Equity securities	**73,662**	56,888
Unlisted unit trusts	**21,876**	16,942
Derivatives liabilities	**(705)**	(318)
Listed equity securities sold short	**(11,100)**	(9,200)
Total	**84,433**	64,912

At 30 June, the Fund's overall exposure to price risk including the notional exposure on derivative contracts were as follows:

	30 June 2020 $'000	30 June 2019 $'000
Net equity exposure from securities	**84,438**	64,360
Net notional exposure from futures contracts	**22,000**	16,250
Total exposure to price risk from equities and equity related derivatives	**106,438**	80,610

The below table is a summary of derivatives held which give rise to price risk:

	30 June 2020		30 June 2019	
Derivative type	**Contract Value $'000**	**Net Fair Value $'000**	Contract Value $'000	Net Fair Value $'000
Futures				
ASX 200	**15,000**	**(2)**	11,080	131
NYSE International 100 Index	**5,000**	**(2)**	7,554	90
FTSEurofirst 300 index	**2,000**	**(1)**	5,151	61
Total	**22,000**	**(5)**	16,250	282

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the MSCI World Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio, net of securities sold short.

AASB7(34)(B8)

	30 June 2020		30 June 2019	
	Fund's equity portfolio (%)	**MSCI benchmark allocation (%)**	Fund's equity portfolio (%)	MSCI benchmark allocation (%)
Sector				
Telecommunications services	**2.9**	**3.1**	1.9	3.6
Materials	**1.9**	**3.6**	2.1	3.3
Utilities	**2.1**	**3.7**	3.1	3.6
Consumer discretionary	**9.9**	**8.4**	10.2	8.5
Industrials	**13.2**	**11.4**	10.5	11.5
Consumer staples	**9.8**	**11.6**	11.5	10.2
Health care	**12.8**	**12.9**	11.2	12.0
Energy	**14.1**	**13.8**	14.2	12.9
Financial services	**18.2**	**14.4**	18.1	17.6
Information technology	**15.1**	**17.1**	17.2	16.8
Total	**100.0**	**100.0**	100.0	100.0

AASB7(35) At the year ended 30 June 2020, the Fund's exposure to various industry sectors was significantly different to the exposure as at 30 June 2019. The Fund moved to an overweight position in the industrials sector at 30 June 2020. This movement was at the expense primarily of the 'consumer staples' and 'information technology' sectors. Although 'consumer staples' and 'information technology' sectors were in an overweight position at 30 June 2019, these sectors moved to an underweight position at 30 June 2020.

AASB7(33) The table in note 3(b) summarises the impact of an increase/decrease of the MSCI World Index on the Fund's net assets attributable to unitholders. The analysis is based on the assumptions that the index increased by 15% (2019: 15%) and decreased by 20% (2019: 15%) with all other variables held constant and that the fair value of the Fund's portfolio of equity securities and derivatives moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the MSCI World Index, having regard to the historical volatility of the index. The impact mainly arises from the reasonably possible change in the fair value of listed equities, unlisted unit trusts and equity derivatives.

AASB7(40) The investment manager uses the MSCI World Index as a reference point in making investment decisions. However, the investment manager does not manage the Fund's investment strategy to track the MSCI World Index or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at 30 June and the historical correlation of the securities comprising the portfolio to the MSCI World Index. The composition of the Fund's investment portfolio and the correlation thereof to the MSCI World Index, is expected to change over time. The sensitivity analysis prepared as of 30 June is not necessarily indicative of the effect on the Fund's net assets attributable to unitholders of future movements in the level of the MSCI World Index.

(ii) Foreign exchange risk [23-25]

AASB7(33)(a)(b) The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities. The table below distinguishes between monetary and non-monetary items to satisfy the requirements in AASB 7.

The Fund's policy is to economically hedge up to 95% of the direct foreign currency exposure on both monetary and non-monetary financial assets and liabilities. However, for accounting purposes, the Fund does not designate any derivatives in a hedging accounting relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

When the investment manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the investment manager factors that into its portfolio allocation decisions. While the Fund has direct exposure to foreign exchange rate changes on the price of non-Australian dollar-denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests directly, even if those companies' securities are denominated in Australian dollars, or invests indirectly through investment in Australian denominated funds that invests in non-Australian denominated securities. For that reason, the sensitivity analysis below may not necessarily indicate the total effect on the Fund's net assets attributable to unitholders of future movements in foreign exchange rates.

Compliance with the Fund's policy is reported to the Board on a monthly basis.

AASB7(34) The table below summarises the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar

	30 June 2020		30 June 2019	
	US Dollars	**Euro**	US Dollars	Euro
	A$'000	**A$'000**	A$'000	A$'000
Monetary				
Cash and cash equivalents	**77**	**-**	60	-
Margin accounts	**212**	**130**	190	126
Due from brokers - receivable for securities sold	**220**	**224**	100	224
Non-monetary				
Financial assets at fair value through profit or loss	**20,988**	**8,524**	7,389	15,605
Due to brokers - payable for securities purchased	**-**	**(167)**	(90)	(150)
Financial liabilities at fair value through profit or loss	**(2,000)**	**(1,010)**	(1,015)	(905)
	19,497	**7,701**	6,634	14,900
Net increase/(decrease) in exposure from foreign currency forward contracts				
- Buy foreign currency	**9,000**	**-**	5,000	14,000
- Sell foreign currency	**(18,000)**	**-**	(10,000)	(28,000)
	10,497	**7,701**	1,634	900

AASB7(33)(b) In accordance with the Fund's policy, the investment manager monitors the Fund's foreign exchange exposure on a daily basis, and the Board of Directors of the responsible entity reviews it on a quarterly basis.

AASB7(33)(c) At the year ended 30 June 2020, the Fund's foreign exchange exposure was significantly different to the exposure as at 30 June 2019. The fund decreased it exposure to the Euro and increased its exposure to the US dollar based on changes in the investment strategy.

AASB7(33) The table within note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened and strengthened by 15% (2019 10%) against the US dollar and weakened and strengthened by 15% (2019 10%) against the Euro, being the material foreign currencies to which the Fund is exposed. [28]

This represents management's best estimate of a reasonably possible shift in the foreign exchange rates, having regard to historical volatility of those rates. This increase or decrease in the net assets attributable to unitholders arises mainly from a change in the fair value of US dollar equity and debt securities and Euro equities that are classified as financial assets and liabilities at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk [6,26,29]

AASB7(33)(a)(b) The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial assets 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 risk is measured using sensitivity analysis.

The Fund's policy is to hold between 10% and 20% of the net assets attributable to unitholders invested in debt securities. Compliance with the Fund's policy is reported to the Board on a monthly basis. The Fund may also enter into derivative financial instruments to mitigate the risk of future interest rate changes. At year end, the Fund held International interest rate futures, as disclosed in note 9 to the financial statements.

The Fund 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 companies in which the Fund invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis within note 3(b) may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

AASB7(34) The table below summarises the Fund's exposure to interest rate risk.

30 June 2020	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and cash equivalents	**3,620**	**-**	**-**	**3,620**
Margin accounts	**1,420**	**-**	**-**	**1,420**
Receivables	**-**	**-**	**251**	**251**
Due from brokers – receivable for securities sold	**-**	**-**	**1,962**	**1,962**
Financial assets at fair value through profit or loss	**-**	**20,382**	**97,138**	**117,520**
Financial liabilities				
Payables	**-**	**-**	**(76)**	**(76)**
Due to brokers – payable for securities purchased	**-**	**-**	**(817)**	**(817)**
Financial liabilities at fair value through profit or loss	**-**	**-**	**(12,215)**	**(12,215)**
	5,040	**20,382**	**86,243**	**111,665**
Net increase/(decrease) in exposure from interest rate futures (notional principal)		**1,500**	**-**	**-**
Net exposure	**5,040**	**21,882**	**86,243**	**111,665**

30 June 2019	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	1,325	-	-	1,325
Margin accounts	2,223	-	-	2,223
Receivables	-	-	128	128
Due from brokers – receivable for securities sold	-	-	984	984
Financial assets at fair value through profit or loss	-	15,286	75,430	90,716
Financial liabilities				
Payables	-	-	(68)	(68)
Due to brokers – payable for securities purchased	-	-	(2,597)	(2,597)
Financial liabilities at fair value through profit or loss	-	-	(9,738)	(9,738)
	3,548	15,286	64,139	82,973
Net increase/(decrease) in exposure from interest rate futures (notional principal)		1,200	-	-
Net exposure	3,548	16,486	64,139	82,973

AASB7(33) The table in section 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +25 basis points and -50 basis points (2019: +/- 75 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of debt securities.

(b) Summarised sensitivity analysis[21,22]

AASB7(40) The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and price risk. The reasonably possible movements in the risk variables have been 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 Fund's investments with the relevant benchmark 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 movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Price risk		**Interest rate risk**		**Foreign exchange risk**			
	Impact on operating profit/Net assets attributable to unitholders							
	-20% (MSCI Index) $'000	**+15% (MSCI Index) $'000**	**+25bps $'000**	**-50bps $'000**	**-15% USD $'000**	**+15% USD $'000**	**-15% Euro $'000**	**+15% Euro $'000**
30 June 2020	**(21,288)**	**15,966**	**(42)**	**83**	**46**	**(46)**	**(28)**	**28**
	Price risk		Interest rate risk		Foreign exchange risk			
	Impact on operating profit/Net assets attributable to unitholders							
	-15% (MSCI Index) $'000	+15% (MSCI Index) $'000	+75bps $'000	-75bps $'000	-10% USD $'000	+10% USD $'000	-10% Euro $'000	+10% Euro $'000
30 June 2019	(9,695)	9,695	(97)	97	36	(36)	(1,380)	1,380

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the responsible entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonably possible shift in assumptions.

The Fund has changed certain assumptions in the current year. The assumption for the decrease in the MSCI index was changed from a decrease of 15% to and decrease of 20% due to increased volatility in the markets causing greater risk for price depressions. The assumptions for the interest rates were changed from +/- 75bps to +25bps and -50bps due to the current low interest environment and the Fund's project that interest rates will remain low in the short/medium term.

The Fund has not made any other changes to the methods or assumptions used to determine its sensitivity to the market risk compared to the comparative period.

(c) Credit risk[6,11]

AASB7(35B) The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables.

In accordance with the Fund's policy, the investment manager monitors the Fund's credit position on a daily basis and the Board of Directors reviews it on a quarterly basis.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2020 and 30 June 2019, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(i) Debt securities

AASB7(35B)

The Fund invests in debt securities which have an investment grade categorisation as rated by XYZ Rating Agency Limited. For unrated assets a rating is assigned by the responsible entity using an approach that is consistent with the approach used by rating agencies. All debt securities must have an investment rating of BBB or higher as determined by the XYZ Rating Agency Limited to be considered investment grade. An analysis of debt by rating is set out in the following table.

Australian debt securities	**30 June 2020 $'000**	30 June 2019 $'000
Rating		
AAA	**9,836**	6,833
AA	**3,184**	1,534
A	**1,789**	1,689
BBB	**395**	845
Total	**15,204**	10,901

International debt securities	**30 June 2020 $'000**	30 June 2019 $'000
Rating		
AAA	**4,524**	3,825
AA	**654**	560
Total	**5,178**	4,385

(ii) Derivative financial instruments

AASB7(36)

For derivative financial instruments, the responsible entity has established limits such that, at any time, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty and all contracts are with counterparties included in the Board's Approved Counterparties list.

Derivatives may be traded on an exchange (exchange traded) or they may be privately negotiated contracts, which are referred to as Over The Counter (OTC) derivatives. The Fund's OTC derivatives are cleared and settled either through central clearing counterparties (OTC-cleared), or bilateral contracts between two counterparties.

Exchange traded and OTC-cleared derivative contracts have reduced credit risk as the counterparty is a clearing house. The clearing house is responsible for managing the risk associated with the process on behalf of their members and ensuring it has adequate resources to fulfil its obligations when they become due. Clearing house members are required to provide initial margins in accordance with the exchange rules in the form of cash or securities, and provide daily variation margins in cash to cover changes in market values. Further, all members are generally required to contribute to (and guarantee) the compensation or reserve fund which may be used in the event of default and shortfall of a member.

The Fund also restricts its exposure to credit losses on the trading of certain OTC derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on the net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements. Refer to note 4 to the financial statements for further analysis of the Fund's master netting arrangements.

(iii) Settlement of securities transactions

AASB7(36)

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 on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(iv) Cash and cash equivalents

AASB7(36) The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA (as determined by the XYZ Rating Agency Limited) or higher.

(v) Other

The Fund is not materially exposed to credit risk on other financial assets.

AASB7(36) The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely Custodian Limited. Custodian Limited is a member of a major securities exchange, and at 30 June 2020 had a credit rating of AA (2019: AA). At 30 June 2020, substantially all cash and cash equivalents, balances due from broker and investments are held in custody by Custodian Limited.

(vi) Maximum exposure to credit risk

AASB7(36)(a) The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets.

(d) Liquidity risk[12-14]

AASB7(33),(39) Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of its units and daily margin calls on derivatives. Its policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

The majority of the Fund's listed securities are considered readily realisable, as they are listed on the Australian Stock Exchange, the New York Stock Exchange or the Frankfurt Stock Exchange.

The Fund may periodically invest in derivative contracts traded over the counter and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. The Fund's policy is to hold at least 60% of the net assets attributable to unitholders in liquid investments. The investment manager monitors liquidity on a daily basis.

In order to manage the Fund's overall liquidity, the responsible entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during 2020 and 2019.

Compliance with the Fund's policy is reported to the Board on a monthly basis.

(i) Maturities of non-derivative financial liabilities[15-19]

AASB7(39),B11 The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Net Assets attributable to unitholders is not considered a financial liability but has been included below as units are redeemed on demand at the unitholder's option[12]. 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.

At 30 June 2020	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	1-2 years $'000
Financial liabilities at fair value through profit or loss	11,100	-	-	-
Due to brokers	817	-	-	-
Payables	-	70	-	6
Net assets attributable to unitholders	111,655	-	-	-
Contractual cash flows (excluding derivatives)	123,562	80	-	6

At 30 June 2019	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	1-2 years $'000
Financial liabilities at fair value through profit or loss	9,200	-	-	-
Due to brokers	2,597	-	-	-
Payables	50	15	-	3
Net assets attributable to unitholders	83,149	-	-	-
Contractual cash flows (excluding derivatives)	94,948	63	-	3

AASB7(39)(b),B11

(ii) Maturities of net settled derivative financial instruments

AASB7(39)(b)

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

At 30 June 2020	**Less than 1 month $'000**	**1-6 months $'000**	**6-12 months $'000**	**1-2 years $'000**
Net settled derivatives				
Australian Share Price Index	-	**(135)**	**(225)**	-

At 30 June 2019	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	1-2 years $'000
Net settled derivatives				
Australian Share Price Index	(53)	(10)	-	-

(iii) Maturities of gross settled derivative financial instruments

The table below analyses the Fund's gross settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

At 30 June 2020	**Less than 1 month $'000**	**1-6 months $'000**	**6-12 months $'000**	**1-2 years $'000**	**Total $'000**
Foreign currency forward contracts					
Inflows	**7,000**	**1,500**	**500**	**-**	**9,000**
(Outflows)	**(6,745)**	**(1,080)**	**(330)**	**-**	**(8,155)**
International interest rate futures					
(Net outflows)	**(213)**	**(142)**	**-**	**-**	**(355)**

At 30 June 2019	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	1-2 years $'000	Total $'000
Foreign currency forward contracts					
Inflows	3,000	1,000	-	-	4,000
(Outflows)	(2,250)	(750)	-	-	(3,000)
International interest rate futures					
(Net outflows)	(165)	(55)	-	-	(220)

Financial risk management

Accounting standard for presentation and disclosure of financial instruments

AASB7(3)

1. AASB 7 *Financial Instruments: Disclosures* is applicable to all reporting entities and to all types of financial instruments except:
   (a) those interests in subsidiaries, associates, and joint ventures that are accounted for under AASB 10 *Consolidated Financial Statements*; AASB 127 *Separate Financial Statements or* AASB 128 *Investments in Associates and Joint Ventures*. However, in some cases, AASB 10, AASB 127 or AASB 128 require or permit an entity to account for an interest in a subsidiary, associate or joint venture using AASB 9. In those cases, entities shall apply the requirements of AASB 7 and, for those measured at fair value, the requirements of AASB 13 *Fair Value Measurement*. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in AASB 132
   (b) employers' rights and obligations under employee benefit plans, to which AASB 119 *Employee Benefits* applies
   (c) insurance contracts as defined in AASB 4 *Insurance Contracts.* However, AASB 7 applies to derivatives that are embedded in insurance contracts if AASB 9 requires the entity to account for them separately. Moreover, an issuer shall apply AASB 7 to *financial guarantee contracts* if the issuer applies AASB 9 in recognising and measuring the contracts, but shall apply AASB 4 if the issuer elects, in accordance with paragraph 4(d) of AASB 4, to apply AASB 4 in recognising and measuring them.
   (d) financial instruments, contracts and obligations under share-based payment transactions to which AASB 2 *Share-based Payment* applies, except for contracts within the scope of paragraphs AASB 9 which must be disclosed under AASB 7
   (e) puttable financial instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or 16C and 16D of AASB 132.

AASB7(4)

AASB 7 applies to both recognised and unrecognised financial instruments, even if the financial instruments are not recognised under AASB 9. For example, some loan commitments are outside AASB 9's scope but within the scope of AASB 7 because they expose an entity to financial risks such as credit and liquidity risk.

AASB132(11)
AASB7(7)

2. However, AASB 7 does not apply to the following items as they are not financial instruments as defined in paragraph 11 of AASB 132:
   (a) prepayments made/advances received (right to receive future good or service, not cash or a financial asset)
   (b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or
   (c) deferred revenue and warranty obligations (obligation to deliver good or service, not cash or financial asset)

Financial risk management

Parent entity disclosures

3. Where applicable, all disclosure requirements outlined in AASB 7 must be made for both the parent and consolidated entity when presenting both parent and consolidated information.

AASB7(6),(B1)-(B3)

Classes of financial instruments

When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

The classes are determined by the entity and are, thus, distinct from the categories of financial instruments specified in AASB 9 (which determine how financial instruments are measured and where changes in fair value are recognised).

In determining classes of financial instrument, an entity shall, at a minimum, distinguish instruments measured at amortised cost from those measured at fair value and treat as a separate class or classes those financial instruments outside the scope of this Standard.

An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this Standard, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks

AASB7(34)(a)

Level of detail and selection of assumptions – information through the eyes of management

4. The disclosures in relation to the financial risk management of an entity should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary from entity to entity. The disclosures in the illustrative financial statements are only one example of the kind of information that may be disclosed and you should consider carefully what may be appropriate in your individual circumstances.

AASB7(31),(32)

Nature and extent of risks arising from financial instruments

5. The financial statements shall include qualitative and quantitative disclosures that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of each reporting period. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

AASB7(33)

Qualitative and Quantitative disclosures

6. The qualitative disclosures shall discuss for each type of risk:
   (a) the exposures to the risk and how they arise
   (b) the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk, and
   (c) any changes in (a) or (b) from the previous period.

AASB7(32A)

7. They shall also enable users to form an overall picture of the nature and extent of risks arising from financial instruments by providing a link to related quantitative disclosures.

Financial risk management

AASB7(34)(a),(c)

8. An entity shall provide for each type of risk, summary quantitative data on risk exposure at the end of each reporting period, based on information provided internally to key management personnel and any concentrations of risk. This information can be presented in narrative form. Alternatively, entities could provide the data in a table which sets out the impact of each major risk on each type of financial instruments. This table can also be a useful tool for compiling the necessary information that must be disclosed under paragraph 34 of AASB 7.

AASB7(B8)

9. An entity should disclose concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:

   (a) a description of how management determines concentrations;

   (b) a description of the shared characteristic that identifies each concentration (e.g. counterparty, geographical area, currency or market); and

   (c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

   As stated in note 3(a)(i), VALUE ACCOUNTS Investment Fund manages concentrations of price risks by industrial sector. To satisfy the requirements of AASB 7 paragraph 34(c), it therefore discloses an analysis of the investments held by sector.

AASB7(34)(b)

10. If not already provided as part of the summary quantitative data, the entity shall also provide the information in paragraphs 11-32 below, unless the risk is not material.

AASB7(36)

Credit risk

11. For each class of financial instrument but to which the impairment requirements of AASB 9 are not applied, the entity shall disclose:
    (a) the maximum exposure to credit risk (not required for instruments whose carrying amount best represents the maximum exposure to credit risk), and
    (b) a description of collateral held as security and of other credit enhancements, and their financial effect, in respect of the amount that best represents the maximum exposure to credit risk (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk).

AASB7(34)(a),(39)

Liquidity risk

12. Information about liquidity risk shall be provided by way of:
    (a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities
    (b) a maturity analysis for derivative financial liabilities (see ‘Maturity analysis’ section below for details), and
    (c) a description of how the entity manages the liquidity risk inherent in a and b.

    VALUE ACCOUNTS Investment Funds discloses Net Assets attributable to unit holders in the matury analysis of non-derivative financial liabilities as this provides useful information to the overall liquidity risk.

AASB7(B11E)

13. An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (for example, financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

    Financial institutions may use financial assets to manage their liquidity risk. In certain circumstances, the information is likely to be necessary to enable users of financial statements to evaluate the nature and extent of liquidity risk, in which case we would expect them to present a maturity analysis of financial assets.

    However, the disclosure requirements are not only relevant for financial institutions. Certain funds with significant trading activities (for example, actively managed funds) may hold financial assets to manage liquidity risk. Where such activities are a significant part of the entity’s business, they should consider including a maturity analysis for assets.

Financial risk management

AASB7(B11F) 14. In describing how liquidity risk is being managed, an entity should consider discussing whether it:

(a) has committed borrowing facilities or other lines of credit that it can access to meet liquidity needs
(b) holds deposits at central banks to meet liquidity needs
(c) has very diverse funding sources
(d) has significant concentrations of liquidity risk in either its assets or its funding sources
(e) has internal control processes and contingency plans for managing liquidity risk
(f) has instruments that include accelerated repayment terms (e.g. on the downgrade of the entity's credit rating)
(g) has instruments that could require the posting of collateral (e.g. margin calls for derivatives)
(h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares, or
(i) Maturity analysis has instruments that are subject to master netting agreements.

Maturity analysis

AASB7(B11B) 15. All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows. This could be the case for derivative contracts that are held for trading. However, for contracts such as interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments, the remaining contractual maturities will generally be essential for an understanding of the timing of the cash flows. These contracts would therefore be grouped based on their contractual maturities.

AASB7(B11D) 16. The amounts disclosed should be the amounts expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period. However, AASB 7 does not specify whether current or forward rates should be used. PwC recommends the use of forward rates as they are a better approximation of future cash flows.

AASB7(B11C)(c) 17. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. For financial guarantee contracts, the maximum amount of the guarantee must be allocated to the earliest period in which the guarantee could be called.

18. As the amounts included in the maturity tables are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet, in particular as far as borrowings or derivative financial instruments are concerned. Entities can choose to add a column with the carrying amounts which ties in the balance sheet and a reconciling column if they so wish, but this is not mandatory.

AASB7(B10A) 19. If an outflow of cash could occur either significantly earlier than indicated or be for significantly different amounts from those indicated in the entity's disclosures about its exposure to liquidity risk, the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk. This disclosure is not necessary if that information is included in the contractual maturity analysis.

AASB107(50)(a) *Financing arrangements*

20. Committed borrowing facilities are a major element of liquidity management. Entities should therefore consider providing information about their undrawn facilities. AASB 107 *Statement of Cash Flows* also recommends disclosure of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

Financial risk management

AASB7(40)

Market risk – sensitivity analysis

AASB7(B27)

21. Entities shall disclose a sensitivity analysis for each type of market risk (currency, interest rate and other price risk) to which an entity is exposed at the end of each reporting period, showing how profit or loss and equity would have been affected by 'reasonably possible' changes in the relevant risk variable, as well as the methods and assumptions used in preparing such an analysis. The estimation of a reasonably possible movement is subjective and must be made through the eyes of management. In this example, we have assumed that the impact on operating profit is the same as the impact on net assets attributable to unitholders on the basis that the impact on fair values of financial instruments are unrealised and therefore there will be no impact on distributable income and the quantum distributed to unitholders. Where an entity has many different types of financial instruments, it should consider disclosing the impact on a line by line basis. Where applicable, the disclosure should also distinguish between changes affecting profit or loss and those recognised directly in equity.

AASB7(40)(c)

22. This example assumes that there has not been a change in the quantum of a reasonably possible change in the relevant index, the interest rate or foreign exchange rates from the previous period. If there have been any changes in methods and assumptions from the previous period, this must be disclosed together with the reasons for such a change.

Foreign exchange risk

AASB7(B23)

23. In accordance with paragraph B23 of AASB 7, foreign exchange risk arises on monetary items denominated in foreign currencies.

Monetary versus non-monetary assets

The essential feature of a monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. Examples include financial assets such as; cash, fixed income securities and receivables and financial liabilities such as debt.

As a result of this definition, equity investments (being non-monetary items) are not treated as being subject to foreign currency risk.

The risk exposure and sensitivity analysis for non-monetary assets are included in price risk. Equity investments such as shares and holdings in other pooled vehicles (e.g. in fund-of-fund arrangements) should be disclosed as part of price risk and, under the standard, do not have exposure to interest rate or foreign currency risk (even though there may be underlying economic exposure).

AASB7(34)

However, as the AASB 7 disclosures are required to be presented based on the information provided to key management personnel, certain asset managers may view equity price risk and foreign exchange risk differently. In circumstances where management consider foreign currency risk to arise on equity securities and foreign currency risk is considered a component of price risk, it may be appropriate to present foreign currency risk on equity securities as part of foreign currency risk rather than price risk. The disclosures in note 3(a)(i) and (ii) have adopted this approach.

AASB7(B23)

24. Under paragraph B23 of the appendix of AASB 7, foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risk. Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the fund's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risk, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under AASB 121 is not fully eliminated.

AASB7(40)(c)

25. The disclosures in note 3(a)(ii) assumes that there has not been a change in the quantum of a reasonably possible change in foreign exchange rates against each currency. If there have been any changes in methods and assumptions from the previous period, this must be disclosed together with the reasons for such a change.

Financial risk management

Interest rate risk

26. Sensitivity to changes in interest rates is relevant to the cash flows of financial assets or financial liabilities. For financial instruments bearing floating interest rates, the entity would disclose the effect on profit or loss (ie interest income/expense). For financial instruments bearing fixed interest rates, the entity would disclose the effect on profit or loss (ie change in fair value). Where the effect of interest rate risk is material for both financial instruments bearing floating interest rates and financial instruments bearing fixed interested rates, these should be disclosed separately. This was not disclosed for Value Accounts as it was not material.

AASB7(23)

Foreign currency hedging

27. Where the economic exposure to currency risk has been hedged e.g. using forward foreign currency contracts, this creates a mismatch, as the risk exposure of the equity security is subject to price risk and the risk exposure of the hedge derivative is subject to foreign currency risk. This can result in presentation of financial information that shows a greater exposure to changes in foreign currency than is actually the case i.e. the foreign currency risk disclosure shows only the hedge, without the offsetting underlying exposure. Under such circumstances, management could consider including qualitative information as part of the foreign currency risk disclosures and sensitivity analysis, which explains this mismatch and the Fund's net exposure to foreign currency risk.

Market risk exposures are not mutually exclusive

28. An investment fund's financial instruments may need to be considered as subject to multiple market risks. For example, interest bearing securities are typically classified as subject to fair value or cash flow interest rate risk, however, their exposure to foreign currency should also be considered and, where appropriate, disclosed under foreign currency risk.

AASB7(35)

Market risk exposures for fund-of-fund arrangements

29. There are often different approaches to the application of AASB 7 to fund-of-fund arrangements. This is because AASB 7 requires disclosures based on the information provided to key management personnel i.e. the format will be influenced by the way in which the risks are managed internally. Whilst there is no explicit requirement in AASB 7 to 'look through' to underlying investment vehicles, the standard indicates that risk exposures should be presented consistent to the way which management manage and monitor risk exposures. The majority of investment funds tend to disclose their exposure to an underlying fund as solely subject to price risk, even if the underlying fund may have significant indirect foreign currency and interest rate risk exposure. However, if management 'look through' to the underlying funds' exposures, for example, to monitor the Fund's risks and returns when deciding which funds to invest in, the Fund should disclose relevant risks in a manner consistent with how they monitor them.

Additional information where quantitative data about risk exposure is unrepresentative

30. If the quantitative data disclosed (as discussed in the above section) is unrepresentative of the entity's exposure to risk during the period, the entity shall provide further information that is representative. If the sensitivity analyses are unrepresentative of a risk inherent in a financial instrument (e.g. the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason why the sensitivity analyses are unrepresentative. Refer to note 3 for details.

Information duplicated in Note 3

31. VALUE ACCOUNTS Unit Trust has included information in this note for convenience notwithstanding some of the information is also disclosed in the accounting policies note. The repetition of this information is not required.

Terms and conditions of financial instruments

AASB7(7),(31)

32. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. However, the intention of AASB 7 was to decrease the potentially voluminous disclosures that were required by AASB 132 and replace them with shorter but more meaningful information. Under normal circumstances entities will therefore no longer need to disclose the significant terms and conditions for each of their major borrowings. Having said that, if an entity has a borrowing (or other financial instrument) with unusual terms and conditions, then some information should be provided to enable users to assess the nature and extent of risks associated with these instruments.

4 Offsetting financial assets and financial liabilities[1-10]

AASB132(42)
AASB7(13A),(13B)

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the first three columns of the tables below.

AASB7(13C)

2020		**Effects of offsetting on the balance sheet**		**Related amounts not offset**	
	Gross amounts of financial assets	**Gross amounts set off in the balance sheet**	**Net amount of financial assets presented in the balance sheet**	**Amounts subject to master netting arrange-ments[9]**	**Net amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial asset					
Derivative financial instruments (i)	**1,600**	**-**	**1,600**	**(610)**	**990**
Total	**1,600**	**-**	**1,600**	**(610)**	**990**
Financial liabilities					
Derivative financial instruments (i)	**1,115**	**-**	**1,115**	**(610)**	**505**
Total	**1,115**		**1,115**	**(610)**	**505**

2019		Effects of offsetting on the balance sheet		Related amounts not offset	
	Gross amounts of financial liabilities	Gross amounts set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts subject to master netting arrangements[9]	Net amount
	$'000	$'000	$'000	$'000	$'000
Financial asset					
Derivative financial instruments (i)	1,600	-	1,600	(538)	1,062
Total	1,600	-	1,600	(538)	1,062
Financial liabilities					
Derivative financial instruments (i)	538	-	538	(538)	-
Total	538	-	538	(538)	-

AASB7(13E)(B50)

(i) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/ receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the above table.

Offsetting financial assets and financial liabilities

Offsetting financial assets and financial liabilities

AASB7(13B)
AASB132(AG38A-F)

1. AASB 7 *Financial Instruments: Disclosures* requires additional disclosures about the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The new guidance in AASB 132 right of set-off must be available today (i.e. not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy.

AASB7(13A),(B40)

2. The disclosures are required for all recognised financial instruments that are set off in accordance with paragraph 42 of AASB 132. They also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of AASB 132.

AASB132(50)

3. A master netting arrangement will commonly:
   (a) provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract
   (b) be used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations, and
   (c) create a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

AASB7(B41)

4. The guidance above does not impact arrangements, such as:
   (a) financial instruments with only non-financial collateral agreements
   (b) financial instruments with financial collateral agreements but no other rights of set-off, and
   (c) loans and customer deposits with the same financial institution, unless they are set off in the balance sheet

5. Because of the broad scope of the offsetting requirements, these disclosures are relevant not only to financial institutions but also corporate entities. The disclosures were introduced primarily to allow users of the financial statements to assess the impact of the different offsetting requirements under IFRS and US GAAP. They will therefore be particularly relevant for entities with US-based stakeholders, but less relevant for entities that operate exclusively in countries with IFRS or IFRS compliant standards.

AASB7(13B),
(13C)(a),(c),(d),(e),
(13E),(B40)-(B42)

6. Entities will need to disclose separately for recognised financial assets and recognised financial liabilities:
   (a) the gross amounts of the recognised financial assets and financial liabilities, the amounts that are set off and the net amounts presented in the balance sheet
   (b) the amounts subject to an enforceable master netting arrangement or similar agreement, including amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria and amounts related to financial collateral
   (c) the net amount after deducting the amounts disclosed under (b) from the net amounts presented in the balance sheet (after set-off) in (a)
   (d) a description of the rights of set-off associated with financial assets and liabilities that are subject to enforceable master netting arrangements and similar agreements, and
   (e) a description of measurement differences between the set-off amounts (e.g. amortised cost vs fair value).

AASB7(13C),(B51)
(B52)

7. The quantitative information above may be grouped by type of financial instrument or transaction, or in some instances also by counterparty. It should be provided in tabular format unless another format is more appropriate.

AASB7(13F)

8. Where the disclosures are provided in more than one note to the financial statements, cross references between the notes shall be included.

Offsetting financial assets and financial liabilities

Master netting

AASB7(36)(a)

9. An entity may have entered into one or more master netting arrangements that serve to mitigate its exposure to credit loss but do not meet the criteria for offsetting. When a master netting arrangement significantly reduces the credit risk associated with financial assets not offset against financial liabilities with the same counterparty, the entity must provide additional information concerning the effect of the arrangement.

Collateral arrangements

AASB7(13C)(d),(B41)

10. Where an entity has pledged financial instruments (including cash on margin accounts) as collateral, this is only required to be disclosed as part of the table where there are other set off arrangements currently in place. VALUE ACCOUNTS Investment Funds Limited illustrates an example where there is a netting arrangements requiring offsetting disclosure but the margin accounts do not related to the derivatives collateral arrangement and therefore are not included in the netting disclosure.

5 Fair value measurement[1-28]

AASB13(91)

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis[5]

- Financial assets/liabilities at fair value through profit or loss (FVPL) (see Note 7 and 8)
- Derivative financial instruments (see Note 9).

AASB13(72)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

AASB13(76)-(80) (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

AASB13(81)-(83) (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

AASB13(86)-(90) (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs)
(level 3).

(i) Fair value in an active market (level 1)

AASB13(76)-(80)

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.

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

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an 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.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

AASB13(81)-(90)

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, reference to the current fair value of a substantially similar other instrument, 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 a 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. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund 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 Black Scholes option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2020 and 30 June 2019.[7-10]

AASB13(93)(a)(b)

At 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value through profit and loss				
Derivatives				
Foreign currency forward contracts	255	590	-	845
Australian share price index futures	345	-	-	345
International share price index futures	-	355	-	355
International interest rate futures	-	55	-	55
Equity securities				
Australian equity securities	55,003	-	-	55,003
International equity securities	18,659	-	-	18,659
Debt securities				
Australian fixed interest securities	11,781	3,423	-	15,204
International fixed interest securities	938	2,559	1,681	5,178
Unlisted unit trusts				
Units in Australian property trusts	1,678	9,010	-	10,688
Units in Australian equity trusts	5,454	469	-	5,923
Units in International equity trusts	2,423	2,842		5,265
Total	96,536	19,303	1,681	117,520
Financial liabilities at fair value through profit and loss				
Listed equity securities sold short				
Australian equity securities	8,500	-	-	8,500
International equity securities	2,600	-	-	2,600
Derivatives				
Australian share price index futures	705	-	-	705
International interest rate futures	410	-	-	410
Total	12,215	-	-	12,215

At 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit and loss				
Derivatives				
Foreign currency forward contracts	805	195	-	1,000
Australian share price index futures	255	-	-	255
International share price index futures	-	345	-	345
International interest rate futures	-	-	-	-
Equity securities				
Australian equity securities	39,808	-	-	39,808
International equity securities	17,080	-	-	17,080
Debt securities				
Australian fixed interest securities	2,180	8,721	-	10,901
International fixed interest securities	926	3,092	367	4,385
Unlisted unit trusts				
Units in Australian property trusts	684	7,263	-	7,947
Units in Australian equity trusts	855	6,956	-	7,811
Units in International equity trusts	216	968		1,184
Total	62,809	27,540	367	90,716
Financial liabilities at fair value through profit and loss				
Listed equity securities sold short				
Australian equity securities	7,500	-	-	7,500
International equity securities	1,700	-	-	1,700
Derivatives				
Australian share price index futures	318	-	-	318
International interest rate futures	220	-	-	220
Total	9,738	-	-	9,738

AASB13(95)

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Transfers between levels

The following table presents the transfers between levels for the year ended 30 June 2020 and 30 June 2019.

AAASB(93)(c)

At 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Transfers between levels 1 and 2:			
Debt securities	**1,012**	**(1,102)**	**-**
Transfers between levels 2 and 3:			
Debt securities	**-**	**(600)**	**600**

AASB13(93)(c)

At 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000
Transfers between levels 2 and 3:			
Debt securities	-	(377)	377

The debt securities transferred into level 1 relate to non-US sovereign obligations for which significant trading activity existed during 30 June 2020 but which were only thinly traded on and around 30 June 2019.

The transfers from level 2 to level 3 relate to corporate debt securities whose issuers experienced significant reductions in trading activity and significant credit rating downgrades during the year. The valuation inputs for these securities were not therefore based on market observable inputs which resulted in the reclassification to level 3.

Fair Value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2019 by class of financial instrument.

AASB13(93)(e)

At 30 June 2020	**Debt securities $'000**
Opening balance	**367**
Purchases	**1,304**
Sales	**(100)**
Transfers into/(out) from level 3	**600**
Gains and losses recognised in profit or loss[16]	**(123)**
Closing balance	**1,681**
*includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	**(100)**

AASB13(93)(f)

The following table presents the movement in level 3 instruments for the year ended 30 June 2019 by class of financial instrument.

AASB13(93)(e)

At 30 June 2019	Debt Securities $'000
Opening balance	-
Purchases	-
Sales	-
Transfers into/(out) from level 3	377
Gains and losses recognised in profit or loss	(10)
Closing balance	367
*includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	(10)

AASB13(93)(f)

Valuation inputs and relationships to fair value

AASB13(93)(d) (99)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (i) and (ii) above for the valuation techniques adopted. [8-10]

AASB13(93)(d), (h)
AASB13(93)(i), (ii)

Description	**Fair value at 30 June 2020 $000**	**Unobservable inputs ***	**Range of inputs (probability-weighted average)**	**Relationship of unobservable inputs to fair value**
Debt securities	1,681	Discount Rate	7.5 % - 10% (8.5%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by $320,000

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

AASB13(93)(d),(h)

Description	Fair value at 30 June 2019 $000	Unobservable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Debt securities	367	Discount Rate	6.0 % - 9% (7.5%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by $75,000

AASB13(93)(h) (i)

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

AASB13(93)(g)

Valuation processes

The Responsible Entity has a team that performs detailed monthly valuations of the financial instruments required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held at least once every six months, in line with the Fund's half-yearly reporting dates.

Changes in level 2 and 3 fair values are analysed at each reporting date during the half-yearly valuation discussion between the Chief Financial Officer, Audit Committee and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

Valuation methodology of Level 3 Investments

Debt securities were valued using the discounted cash flow method. The key assumption in this valuation is the discount rate which is determined with reference to comparable debt securities.

Fair value of financial instruments not carried at fair value [20]

AASB7(29)(a)

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

Fair value measurement

AASB13

1. AASB 13: *Fair Value Measurement* explains how to measure fair value and aims to enhance fair value disclosures; it does not change when an entity is required to use fair value to measure an asset or liability. The standard 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 (exit price). It also provides guidance on how fair value should be measured. Preparers of financial reports will need to review their fair value measurements and determine whether any of the techniques used may have to change as a result of the guidance.
2. The disclosure requirements of AASB 13 are similar to those that were already included in AASB 7 *Financial Instruments*: *Disclosures*, but apply now to all assets and liabilities measured at fair value, not just financial ones. For the purpose of this illustrative we have combined all fair value disclosures in one note. The Fund does not hold any non-financial assets or liabilities.

AASB13(9)

Determining Fair Values

3. Hedge accounting may be impacted by the adoption of AASB 13 as a result of incorporating credit risk into the valuation of financial instruments. Generally credit risk is not designated as part of the risk being hedged, thus creating a mismatch between the hedged item and hedging instrument. The impact on an entity's hedging relationships should be analysed by management to determine whether it will give rise to ineffectiveness.

AASB13(70)

4. AASB 13 does not require the bid/ask prices for actively quoted financial instruments. Rather the most representative price within the bid/ask spread is used. The Fund has elected to retain the use of bid/ask prices to fair value actively quoted financial instruments. Where management elects to use an alternative basis, such as last traded price or mid-point, it should describe this change as part of its accounting policies.
5. Where last traded price is used by an entity, management should ensure at balance date that last traded price falls within the bid/ask spread as at that date. Where it falls outside the bid/ask spread, an alternative basis most representative of fair value within the bid/ask spread, must be used.

AASB13(91)

Disclosure objectives

6. AASB 13 requires disclosure of information that helps users of financial statements to assess:
   (a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis after initial recognition, the valuation techniques and inputs used to develop those measurements
   (b) for recurring fair value measurements using significant unobservable inputs (level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

AASB13(93)(a)

7. AASB 13 distinguishes between recurring and non-recurring fair value measurements. Recurring fair value measurements of assets or liabilities are those that other accounting standards require or permit at the end of each reporting period. Non-recurring fair value measurements are those that other standards require or permit in certain circumstances (e.g. when an entity measures an asset held for sale at fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations).* VALUE ACCOUNTS Unit Trust does not have any non-recurring fair value measurements.

AASB13(92)

8. Entities shall consider what level of detail is necessary to satisfy the above disclosure objectives, how much emphasis needs to be placed on each of the requirements, to what extent information should be aggregated or disaggregated and whether any additional information is necessary to meet those objectives.

AASB13(99)

9. The information should be presented in tabular format unless another format is more appropriate

Fair value hierarchy

AASB13(72)-(90)

10. Entities shall classify all fair value measurements, including those that are only disclosed but not recognised, using a fair value hierarchy based on types of inputs used in making the measurements

Fair value measurement

The fair value hierarchy has the following levels:

(a) level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

(b) level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (e.g. as prices) or indirectly (e.g. derived from prices), and

(c) level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Information about valuation techniques

AASB13(93)(d)

11. Entities must describe the valuation technique(s) and inputs used in the fair value measurement for all recurring and non-recurring fair value measurements of financial instruments that are categorised within level 2 and level 3 of the fair value hierarchy. If there has been a change in valuation technique, the entity should disclose the change and the reason for making it.

AASB13(93)(d)

12. For fair value measurements categorised within level 3 of the hierarchy, the entity must also provide quantitative information about the significant unobservable inputs used, unless quantitative inputs are not developed by the entity when measuring fair value (e.g. if the entity uses prices from prior transactions or third-party pricing information without adjustment). An extensive example of the disclosures for level 3 unobservable inputs is included in Appendix H.

Sensitivity

AASB13(93)(h)

13. For all recurring fair value measurements that are classified as ‘level 3’ entities must provide information about the sensitivity of the fair value measurement to changes in unobservable inputs:

    (a) For all such measurements: a narrative description of the sensitivity if a change in unobservable inputs could result in significantly higher or lower fair values and a description of any interrelationships between those inputs and other unobservable inputs and how these interrelationships could magnify or mitigate the effect of changes in the inputs.

    (b) For financial assets and financial liabilities, if changing one or more unobservable inputs would change fair value significantly, entities shall disclose the effect of reasonably possible changes in assumptions and how the effect was calculated.

Classes of assets and liabilities

AASB13(94)

14. The disclosures in AASB 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:

    (a) the nature, characteristics and risks of the asset or liability, and

    (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

AASB13(94)

15. A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet.

AASB13(93)(f)

Unrealised gains and losses on Level 3

16. AASB 13 does not provide any guidance on how to calculate the unrealised gains and losses for recurring level 3 measures. A similar requirement previously existed under US GAAP where three methods are acceptable. In our view, either of these methods would be acceptable under IFRS provided they are consistently applied. The methods are:

    (a) Balance sheet view: determine unrealised gains and losses as the fair value of the security less its amortised cost base. Under this view, gains and losses are realised at maturity or sale date. Therefore the entire gain or loss is considered unrealised until maturity.

    (b) Income statement view: determine unrealised gains and losses as the total gains and losses during the period less the cash received or paid for those items. Under this view each cash receipt or settlement represents a realised gain or loss in its entirety.

Fair value measurement

(c) Cash flow view: first determine any realised gains or losses as the difference between the expected cash flows at the beginning of the period and the actual cash flows at the end of the period. Then, determine unrealised gains or losses for items still held at the reporting date as the remaining expected cash flows for future periods at the end of the period less the remaining expected cash flows for future periods at the beginning of the period.

Fair value disclosed, but not recognised

AASB13(97),(93)(a)

17. Entities must also provide information about the fair value hierarchy of fair value measurements that are disclosed in the notes to the financial statements, but where the assets and liabilities are not measured at fair value in the balance sheet. For fair value measurements that are classified as 'level 2' or 'level 3', entities must further disclose:

AASB13(97),(93)(d)

(a) a description of the valuation technique(s) and the inputs used in the fair value measurement

AASB13(97),(93)(i)

(b) if the highest and best use of a non-financial asset differs from its current use, that fact and why the asset is being used in a manner that differs from its highest and best use.

Fair value disclosures: Financial instruments carried at other than fair value

AASB7(25),(29)

18. An entity shall disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed for the following:

(a) where the carrying amount is a reasonable approximation of fair value

(b) a contract containing a discretionary participation feature (as described in AASB 4 *Insurance Contracts*) where the fair value of that feature cannot be measured reliably.

AASB7(B51-B52)

19. The information about the fair values can be provided either in a combined financial instruments note or in a separate note. However, fair values must be separately disclosed for each class of financial instrument which means that each line item in the table would have to be broken down into individual classes. Refer to the appendix of AASB 7 for further details. For that reason, VALUE ACCOUNTS Unit Trust has chosen to provide the information in a separate note.

Carrying amounts are a reasonable approximation of fair value

AASB7(29a)

20. A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.

Fair value determined using valuation technique - difference on initial recognition

AASB7(28)

21. If the market for a financial instrument is not active its fair value must be determined using a valuation technique. In these circumstances, there may be a difference between the fair value at initial recognition (established based on the transaction price) and the amount that would be determined at that date using the valuation technique. If there is such a difference an entity shall disclose (by class of financial instrument) the accounting policy for recognising that difference in profit or loss.

Fair value of liabilities with third-party credit enhancements

AASB13 (98)

22. For liabilities measured at fair value and issued with an inseparable third-party credit enhancement, an issuer shall disclose the existence of that credit enhancement and whether it is reflected in the fair value measurement of the liability.

Fair value of financial assets and financial liabilities with offsetting positions

23. If an entity has applied the exception in AASB 13 paragraph 48 and measured the fair value of a group of financial assets or financial liabilities on the basis of the price that it would receive to sell a net long position (asset) or pay to transfer a net short position (liability) for a particular risk exposure, it shall disclose that fact.

Fair value measurement

AASB7(30)

Financial instruments measured at cost where fair value cannot be determined reliably

24. If the fair value of investments in unquoted equity instruments, derivatives linked to such equity instruments or a contract containing a discretionary participation feature (as described in AASB 4 *Insurance Contracts*) cannot be measured reliably the entity must disclose:

    (a) the fact that fair value information has not been disclosed because it cannot be measured reliably

    (b) a description of the financial instruments, their carrying amount and an explanation of why fair value cannot be measured reliably

    (c) information about the market for the instruments

    (d) information about whether and how the entity intends to dispose of the financial instruments

    (e) if the instruments are subsequently derecognised, that fact, their carrying amounts at the time of derecognising and the amount of gain or loss recognised.

Fair value hierarchy – Further guidance

25. Set out in the following table are some examples of inputs that may be considered appropriate for the levels indicated. However the facts and circumstances applicable to the individual security should always be assessed.

	Description of level in the fair value hierarchy	Financial instruments commonly classified in this level	Sources of pricing inputs commonly classified in this level
Level 1	• Inputs must be quoted prices in an active market. The quoted prices must be readily and regularly available and the prices must represent actual and regularly occurring market transactions on an arm's length basis.	Actively traded investments, including: • ASX listed equities and other listed equities in active markets. • Government bonds • Listed corporate bonds. • Exchange traded futures contracts. • Listed unit trusts.	• Items traded on an exchange or active index/market location (e.g. the ASX, NYSE).
Level 2	• Inputs that are observable (directly or indirectly) in the market.	• Certain corporate bonds where interest rate and credit risk inputs are observable. • Government bonds that are not actively traded. • Some interest rate swaps based on the BBSW swap rate. • Foreign currency forward contracts where the evaluation is based on quoted benchmark data and observed credit spread. • Some listed securities that are not traded in an active market. • Unlisted unit trusts holding level 1 or 2 investments and which are open for applications and redemptions on a regular basis.	• Quoted prices for similar instruments in active markets. • Posted or published clearing prices, if corroborated by observable market data through correlation or by other means (market-corroborated inputs). • Broker quotes corroborated by observable market data. • Dealer quotes for non-liquid securities provided the dealer is standing ready and able to transact. • Most inputs, other than quoted prices that are observable on the market (e.g. interest rates, yield curves observable at commonly quoted intervals).

Fair value measurement

Level 3	• Inputs that are not observable in the market, which may include information that is derived through extrapolation and which is not corroborated by observable market data. • Level 3 inputs generally reflect the entity's own assumptions about how a market participant would reasonably be expected to determine the price of a financial instrument.	• Some long-dated interest rate options. • Long-dated foreign currency derivatives. • Unlisted equity investments where the valuation is determined using management's financial forecasts. • Long-dated corporate bonds with few contributors to consensus pricing. • Listed securities where the market is inactive (where the quoted price isn't current, little information is publicly available, price quotations vary substantially over time or among market makers, or management's assumptions are used). • Long dated energy derivatives. • Investments in property, private equity or infrastructure type funds where the fund is closed, and therefore valuation is not based on observable inputs. • Unlisted unit trusts that are not traded actively and have infrequent unit pricing as these hold significant investments in level 3 assets (eg. unlisted property, infrastructure, or private equity). • Unlisted unit trusts which have gates or other restrictions on redemptions.	• Inputs from broker quotes that are indicative (i.e. not transacted upon) or not corroborated by observable market data. • Models incorporating management's assumptions, which are not corroborated by observable market data.

Interim financial statements

AASB134(16A)(j)
AASB13(91)-(93)(h), (94)-(96),(98),(99)
AASB7(25),(26), (28)-(30)

26. Entities must provide detailed information about the fair value measurements of their financial instruments, regardless of whether there have been significant changes or transactions during the interim period. This includes information about:
    (a) the recognised fair value measurements at the end of the interim period
    (b) for financial assets and financial liabilities that are not measured at fair value – the fair value such that it can be compared with the carrying amount
    (c) for non-recurring fair value measurements, the reason for the measurement
    (d) the level of the fair value hierarchy within which the measurements are categorised
    (e) the amount of transfers between level 1 and level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when transfers have occurred

Fair value measurement

(f) for level 2 and level 3 measurements a description of the valuation techniques and inputs used, changes in the valuation techniques used and reasons for changes. For level 3 measurements also quantitative information about significant unobservable inputs used.

(g) for level 3 measurements a reconciliation from opening to closing balances, showing separately a number of specifically identified items

(h) for recurring level 3 measurements, the amount of unrealised gains or losses for the period that is attributable assets and liabilities held at the end of the reporting period

(i) for level 3 measurements, a description of the valuation processes used by the entity

(j) for recurring level 3 measurements, a narrative description of the sensitivity of the fair value to changes in unobservable inputs and the effect of changes to unobservable inputs if such changes have a significant effect on the fair value

(k) the existence of inseparable third-party credit enhancements.

Note that AASB 134 only requires this information for financial instruments, not for non-financial assets and liabilities.

Comparative information should be provided where it is necessary to provide context for the information disclosed for the current interim period. For example, if there have been significant movements in the fair value hierarchy in the current period, in particular in levels 1 and 2, information about the classification of the financial instruments as at the previous reporting date will allow users to assess the magnitude of these changes. However, roll-forward information such as changes in level 3 items during the interim period will not need to be provided for the comparative interim period, unless this information is necessary to understand the movements in the current year.

6 Net gains/(losses) on financial instruments at fair value through profit or loss[1-3]

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

		Year ended 30 June 2020 $'000	30 June 2019 $'000
	Financial assets		
AASB7(20)(a)	Net gain/(loss) on financial assets at fair value through profit or loss	**7,076**	(2,817)
Not mandatory	Net realised* gain/(loss) on financial assets at fair value through profit or loss	**1,400**	(1,545)
	Net unrealised gain/(loss) on financial assets at fair value through profit or loss	**5,676**	(1,272)
	Net gain/(loss) on financial assets at fair value through profit or loss	**7,076**	(2,817)
	Financial liabilities		
	Net gain/(loss) on financial liabilities at fair value through profit or loss	**1,082**	(1,408)
Not mandatory	Net realised* gain/(loss) on financial liabilities at fair value through profit or loss	**700**	(773)
	Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	**382**	(635)
	Net gain/(loss)on financial liabilities at fair value through profit or loss	**1,082**	(1,408)
	Total net gain/(loss) on financial instruments at fair value through profit or loss	**8,158**	(4,225)

*Realised gains and losses are recorded using the historical cost information, specific identification costing method.

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

AASB7(20)(a)(i)

1. AASB 7 requires net gains or losses on financial assets and financial liabilities designated as at fair value through profit or loss to be separately disclosed. As VALUE ACCOUNTs Unit Trust classifies all financial assets and liabilities at fair value through profit and loss, no separate disclosures of gains or losses is required. For funds that hold investments classified at amortised cost or fair value through comprehensive income, gains and losses on those investments are required to be disclosed separately.
2. Australian Accounting Standards do not mandate disclosure of the split of the movement in fair value between realised and unrealised, however this information is generally considered relevant to the users of the financial statements and is presented here as best practice.
3. For purposes of this disclosure, realised gains and losses are recorded using historical cost information (specific identification costing method). For equities, specific identification costing method requires that for each transaction the historic cost for each specific share sold is used to determine the realised gains and losses.

AASB7(8)(a)

7 Financial assets at fair value through profit or loss[1-19]

AASB7(8)(a)		30 June 2020 Fair value $'000	30 June 2019 Fair value $'000
AASB7(8)(a)	**Financial Assets at fair value through profit or loss[1]**		
	Derivatives (Note 9)	**1,600**	1,600
	Equity securities	**73,662**	56,888
	Fixed interest securities	**20,382**	15,286
	Unlisted unit trusts	**21,876**	16,942
	Total financial assets at fair value through profit or loss	**73,662**	89,116
	Comprising:		
AASB101(77)	**Derivatives**		
	Foreign currency forward contracts	**845**	1,000
	Australian share price index futures	**345**	255
	International share price index futures	**355**	345
	International interest rate futures	**55**	-
	Total derivatives	**1,600**	1,600
AASB101(77)	**Equity securities**		
	Australian equity securities	**55,003**	39,808
	International equity securities	**18,659**	17,080
	Total equity securities	**73,662**	56,888
AASB101(77)	**Fixed interest securities**		
	Australian fixed interest securities	**15,204**	39,808
	International fixed interest securities	**5,178**	17,080
	Total fixed interest securities	**20,382**	56,888
AASB101(77)	**Unlisted unit trusts**		
	Units in Australian property trusts	**10,688**	7,947
	Units in Australian equity trusts	**5,923**	7,811
	Units in International equity trusts	**5,265**	1,184
	Total unlisted unit trusts	**21,876**	16,942
	Total financial assets at fair value through profit or loss	**117,520**	90,716

AASB7(31)

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

AASB7(8)(e)

8 Financial liabilities at fair value through profit or loss[1-17]

		30 June 2020 Fair value $'000	30 June 2019 Fair value $'000
AASB7(8)(e)	**Financial Liabilities at fair value through profit or loss**		
	Derivatives (Note 9)	**1,115**	538
	Listed equity securities sold short	**11,100**	9,200
	Total financial liabilities at fair value through profit or loss	**12,215**	9,738
	Comprising:		
AASB101(77)	**Derivatives**		
	Australian share price index futures	**705**	318
	International interest rate futures	**410**	220
	Total derivatives	**1,115**	538
AASB101(77)	**Listed equity securities sold short**		
	Australian equity securities	**8,500**	7,500
	International equity securities	**2,600**	1,700
	Total listed equity securities sold short	**11,100**	9,200
	Total financial liabilities at fair value through profit or loss	**12,215**	9,738

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

Financial instruments at fair value through profit or loss

Classification

AASB9(7.2.1)

1. The financial assets and liabilities of VALUE ACCOUNTS Unit Trust are classified as fair value through profit or loss based AASB 9. Refer to Appendix F for details.

AASB128(18)

2. VALUE ACCOUNTS Unit Trust does not have any investments over which it can exert significant influence. Where an investment fund does have significant influence over an investee as defined in AASB 128 *Investments in Associates and Joint Ventures*, it may still account for these investments as financial assets at fair value through profit or loss, rather than applying the equity method of accounting. This is due to the exemption in AASB 128 which provides that investments held by mutual funds, unit trusts and similar entities need not be accounted for using the equity method.

AASB7(3)(a)
AASB12(6)(d)

3. Entities that do apply the scope exclusion should note in addition to the disclosures required under AASB 7 *Financial Instruments: Disclosures,* that they will still need to disclose information required by AASB 12 *Disclosure of Interests in Other Entities,* including information about the nature, extent and financial effects of its interests in its associates and the nature of the risks in that investment. Refer to disclosures in Note 10.

Listed investment fund

ASX(4.10.20)

4. If a listed entity is an investment fund (as defined in the ASX Listing Rules) it shall disclose in its financial statements:
   (a) a list of all investments held by it and its child entities at the balance date
   (b) the total number of transactions in securities during the reporting period, together with the total brokerage paid or accrued during the period, and
   (c) the total management fees paid or accrued during the reporting period, together with a summary of any management agreement.

   As VALUE ACCOUNTS Unit Trust is not listed, these disclosures are not included.

Presentation of investments

AASB7(6)

5. When required by AASB 7, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed. The characteristics of those financial instruments shall also be taken into account. An entity shall provide sufficient information to permit reconciliation to the line items presented in the balance sheet.
6. VALUE ACCOUNTS Unit Trust illustrates an example presentation of its investments according to their classification under AASB 9 *Financial Instruments* and according to the major asset class. The standards do not prescribe presentation formats. Accordingly, an entity may choose an alternative presentation format which suits the nature and extent of its financial instruments.

AASB7(13A-13F)

7. Where an entity has offset financial assets and financial liabilities on the face of the balance sheet, AASB 7 will require disclosure of the gross amounts in certain circumstances. Refer to note 4 to the financial statements for illustrative disclosures of the requirements.

Financial instruments at fair value through profit or loss

AASB7(14,15)

Stock lending activities

8. While not illustrated in VALUE ACCOUNTS Unit Trust, some investment funds enter into stock lending agreements with their custodians that permit the custodian to lend specified assets to third parties, subject to a stock lending agreement. An example of the suggested disclosure of this fact and the impact on the entity is set out below:

"Securities Lending

The Fund has entered into securities lending arrangements with Custodian Nominees Limited under which legal title to some of the Fund's assets may be transferred to another entity. The securities are loaned by Custodian Nominees Limited, as agent of the Responsible Entity, to certain brokers and other financial institutions (the 'Borrowers'). The Borrowers provide cash, securities, or letters of credit as collateral against loans in an amount between XXX% and XXX% of the fair value of the loaned securities. Cash collateral provided by the Borrowers is invested in the VALUE ACCOUNTS Securities Lending Trust ('Securities Lending Trust'). The investments of the VALUE ACCOUNTS Securities Lending Trust includes medium term, highly rated, floating rate securities.

The total net fair value of assets subject to securities lending arrangements at the end of each reporting period, and which are included in the above, amounts to $XXX (2019: $XXX). The total value of securities on loan at 30 June 2020 which are recognised as an asset in the balance sheet, amounted to $XXX (2019: $XXX).

During the year ended 30 June 2020, the gross earnings on securities lending collateral were $XXX (2019: $XXX) and the amounts paid to borrowers were $XXX (2019: $XXX). These amounts were received and paid on behalf of the Fund and have been recognised in profit or loss.

During the year ended 30 June 2020, the Fund paid fees to the Custodian Nominees Limited in the amount of $XXX (2019: $XXX) for acting as lending agent.

Risks and Indemnification

The risks and benefits of ownership of the loaned assets remain with the Fund. Consistent with the accounting policy note for recognition/derecognition of financial instruments, because the Fund continues to enjoy the risks and benefits of ownership, assets that have been loaned have not been derecognised (i.e. treated as having been sold), although they have been separately classified as Loaned equity securities listed on prescribed stock exchanges.

Custodian Nominees Limited, as lending agent, indemnifies the Fund for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan. The Fund is also exposed to the benefits or losses of the collateral investment in the Securities Lending Trust and consequently recognises as an asset in Contractual right to the Securities Lending Trust."

This should be tailored to the specific circumstances relevant to the entity (for example the values of lent securities, the collateral held, and the parties to the agreements).

Unit trusts with stock lending activities will also need to consider the disclosures for the transfer of financial assets – see paragraphs 13 to 19 below.

Transfer of financial assets

AASB7(42A)

9. If the entity has transferred all or part of a financial asset and it:

   (a) is not able to derecognise the financial asset under AASB 9 *Financial Instruments*, or

   (b) has any continuing involvement in the asset (see paragraph 42C of AASB 7),

   The entity must provide information in a single note that enables users of its financial statements to:

AASB7(42B)

   (c) understand the relationship between the transferred financial assets that are not derecognised in their entirety and the associated liabilities, and

   (d) evaluate the nature of, and risk associated with, the entity's continuing involvement in derecognised financial assets.

AASB7(42A)

10. For the purpose of these disclosure requirements, an entity has transferred all or part of a financial asset if, and only if, it either

   (a) transferred the contractual rights to receive the cash flows of that financial asset, or

   (b) retained the contractual rights to receive the cash flows, but assumed a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

Financial instruments at fair value through profit or loss

Transferred financial assets that are not derecognised in their entirety

AASB7(42D)

11. If an entity has transferred financial assets (refer to paragraphs 15 - 32 of AASB 9 *Financial Instruments)* in such a way that part or all of the financial assets do not qualify for derecognition, it shall disclose for each class of such financial assets:
    (a) the nature of the assets
    (b) the nature of the risks and rewards of ownership to which the entity is exposed
    (c) a description of the nature of the relationship between the transferred assets and the associated liabilities (including restrictions on the entity's use of the assets)
    (d) if the counterparty to the associated liabilities has recourse only to the transferred assets, a schedule that sets out the fair value of the assets and the associated liabilities and the net position (difference) between the two
    (e) when the entity continues to recognise all of the asset, the carrying amounts of the asset and of the associated liability
    (f) when the entity continues to recognise the assets to the extent of its continuing involvement, the total amount of the original assets, the carrying amount of the assets that the entity continues to recognise and the carrying amount of the associated liabilities.

Transferred assets that are derecognised in their entirety – continuing involvement

AASB7(42E)

12. When an entity derecognises transferred financial assets but has continuing involvement in them, the entity shall disclose for each type of continuing involvement:
    (a) the carrying amount of the assets and liabilities that represent the entity's continuing involvement and the line items in which they are recognised
    (b) the fair value of the assets and liabilities that represent the entity's continuing involvement
    (c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement, and information how the maximum exposure is determined
    (d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets, or other amounts payable to the transferee in respect of the transferred assets (for variable cash outflows determine the disclosed amount based on the conditions that exist at the reporting date)
    (e) a maturity analysis of the undiscounted cash outflows from (d) above, showing the remaining contractual maturities of the entity's continuing involvement
    (f) qualitative information that explains and supports the quantitative disclosures in (a) – (e) above.

AASB7(42F)

13. If the entity has more than one type of continuing involvement in a derecognised asset, it can aggregate the information in paragraph 14 above in respect of the particular asset.

AASB7(42G)

14. In addition to the information provided under paragraph 16 above, the entity shall also disclose the following for each type of continuing involvement:
    (a) the gain or loss recognised at the date of transfer of the assets
    (b) income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets
    (c) if the total amount of proceeds from transfer activity in a reporting period is not evenly distributed throughout the reporting period:
        (i) when the greatest transfer activity took place within that reporting period
        (ii) the amounts recognised from transfer activity (e.g. related gains/losses), and
        (iii) the total amount of proceeds from transfer activity in that part of the period.

AASB7(42H)

15. Entities must disclose additional information, where this is necessary to satisfy the overall objective set out paragraph 11 (a) to (b) above.

9 Derivative financial instruments[1-2]

AASB7(31)

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

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

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

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

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

The Fund may hold the following derivative instruments:

(a) Futures

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

(b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis to exchange the underlying security or financial instrument if the option is exercised

(c) Forward currency contracts

Forward currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period.

(d) Warrants

Warrants are an option to purchase additional securities from the issuer at a specified price during a specified period. Warrants are valued at the prevailing market price at the end of each reporting period.

(e) Swaps

Swaps are derivative instruments in which two counterparties agree to exchange one stream of cash flow against another stream. A credit default index swap is a credit derivative used to hedge credit risk or to take a position on a basket or credit entities (index). It is an agreement between two parties whereby one party pays the other a fixed coupon for the specified term of the agreement. The other party makes no payment unless a specified credit event occurs.

AASB101(77)
AASB7(25)

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

30 June 2020			**Fair Values**	
	Long Contract/ notional	**Short Contract/ notional**	**Assets**	**Liabilities**
	$'000	**$'000**	**$'000**	**$'000**
Foreign currency forward contracts	**12,000**	**3,000**	**845**	**-**
Australian share price index futures	**10,300**	**4,000**	**345**	**705**
International share price index futures	**3,200**	**1,000**	**355**	**-**
International interest rate futures	**2,500**	**1,000**	**55**	**410**
	28,000	**9,000**	**1,600**	**1,115**

30 June 2019			Fair Values	
	Long Contract/ notional	Short Contract/ notional	Assets	Liabilities
	$'000	$'000	$'000	$'000
Foreign currency forward contracts	6,000	2,000	1,000	-
Australian share price index futures	11,000	4,000	2555	318
International share price index futures	5,000	1,000	1,000	-
International interest rate futures	2,200	1,000	-	220
	24,200	8,000	1,600	538

Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

Derivative financial instruments

Classification

AASB9(421)

1. The derivative financial instruments of VALUE ACCOUNTS Unit Trust are classified as fair value through profit or loss based on AASB 9. Refer to Appendix F for details.

AASB7(31)

2. An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risk arising from financial instruments to which the entity is exposed at the reporting date

AASB12(1)

10 Structured entities[1-11]

AASB12(B21)

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

AASB12(7)

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in unrelated managed funds for the purpose of capital appreciation and or earning investment income.

AASB12(25)

The investee funds' objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The investee funds invest in a number of different financial instruments, including equities and debt instruments. The investee funds' finance their operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets.

The Fund holds redeemable shares in each of the funds it invests in.

AASB12(29)

The exposure to investments in investee funds at fair value, by strategy employed, is disclosed in the following table;

30 June 2020				
Strategy	**Number of investee funds**	**Total net asset value of investee funds $'000**	**Fair value of investment $'000**	**% of net assets attributable to holders of redeemable shares****
Australian property trusts	**12**	**383,090**	**10,688**	**3%**
Australian equity trusts	**10**	**337,650**	**5,923**	**2%**
International equity trusts	**6**	**111,126**	**5,265**	**5%**
			21,876	

AASB12(29)(a)

30 June 2019				
Strategy	Number of investee funds	Total net asset value of investee funds $'000	Fair value of investment $'000	% of net assets attributable to holders of redeemable shares**
Australian property trusts	11	353,090	7,947	2%
Australian equity trusts	10	321,650	7,811	2%
International equity trusts	5	103,126	1,184	4%
			16,942	

AASB12(29)(b)

The financial assets of $21,876,000 (2019: $16,942,000) is included in financial assets at fair value through profit or loss in the balance sheet.

**This represents the entity's average percentage interest in the total net assets of the investee funds. The Fund has no individual holdings greater than 15%.

AASB12(29)(c)(d)

The Fund's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in the investee funds as there are no off-balance sheet exposures relating to any of the investee funds. Once the Fund has disposed of its shares in an investee fund, it ceases to be exposed to any risk from that investee fund.

AASB12(B26)(b)

During the year ended 30 June 2020, total losses, net of distributions, incurred on investments in investee funds were $1,300,000 (2019: $920,000) as a result of decreases in the fair value of the investee funds.

AASB12(B26)(c)

During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.

Structured entities

Disclosure objectives

AASB12(1)

1. The objective of AASB 12 is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The requirements to disclose off balance sheet exposures and maximum exposures to losses relating to structured entities are among the key requirements of the standard.

AASB12(2)

2. To accomplish that objective, the standard requires disclosures about the entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities as well as non-controlling interests (for subsidiaries) and significant judgements made in determining the accounting for interests in other entities and the determination that the entity is an investment entity, if applicable. Value Accounts Unit Trust only illustrates those disclosures relating to interests in structured entities.

Interests in unconsolidated structured entities

AASB12(24)

3. AASB 12 requires entities to disclose information about unconsolidated structured entities that helps users of its financial statements:
   (a) to understand the nature and extent of the entity's interests in unconsolidated structured entities; and
   (b) to evaluate the nature of, and changes in, the risks associated with the entity's interests in unconsolidated structured entities.

AASB12(26)
AASB12(29-31)

4. AASB 12 then outlines a number of specific disclosure requirements relating to interests in structured entities to meet the objectives outlined above covering;
   (a) the nature, purpose, size and activities of the structured entity as well as how the structured entity is financed
   (b) the carrying amounts of any recognised assets or liabilities relating to the unconsolidated structured entities (i.e. only those balances which are on the investor's balance sheet)
   (c) the line item in the statement of financial position this information is presented in
   (d) the amount that best represents the entity's maximum exposure to loss, including how this is determined
   (e) a comparison of the carrying value outlined above to the maximum exposure to loss
   (f) information about situations during the reporting period where an entity has provided financial or other support to a structured entity without having a contractual obligation to do so covering types of support and reasons for providing
   (g) any current intentions to provide financial or other support to a structured entity.

AASB12(B25),(B26)

5. The appendix of the standard also lists out additional information an entity would be expected to disclose in relation to interests in unconsolidated structured entities to meet the disclosure objectives of the standard.

Sponsorship

AASB12(27)

6. Where an entity does not have an interest in a structured entity but has sponsored the entity then AASB 12 also requires a number of disclosures covering;
   (a) how it has been determined which structured entities are sponsored
   (b) amounts of income and descriptions of income earned from the structured entity during the reporting period
   (c) the carrying amount of any assets transferred to the structured entity during the reporting period.

   These disclosures are only required where the entity ***does not*** have an interest in the structured entity at the reporting date.

Aggregation

AASB12(B2)-(B6)

7. An entity shall decide, in the light of its circumstances, how much detail it provides to satisfy the information needs of users, how much emphasis it places on different aspects of the requirements and how it aggregates the information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

Structured entities

AASB12(B2)-(B6)

8. An entity may aggregate the disclosures required by this Standard for interests in similar entities if aggregation is consistent with the disclosure objective and the requirements in paragraph B4, and does not obscure the information provided. An entity shall disclose how it has aggregated its interests in similar entities.
9. An entity shall present information separately for interests in:
   (a) subsidiaries;
   (b) joint ventures;
   (c) joint operations;
   (d) associates; and
   (e) unconsolidated structured entities.
10. In determining whether to aggregate information, an entity shall consider quantitative and qualitative information about the different risk and return characteristics of each entity it is considering for aggregation and the significance of each such entity to the reporting entity. The entity shall present the disclosures in a manner that clearly explains to users of financial statements the nature and extent of its interests in those other entities.
11. Examples of aggregation levels within the classes of entities set out in paragraph B4 that might be appropriate are:
    (a) nature of activities (e.g. a research and development entity, a revolving credit card securitisation entity)
    (b) industry classification
    (c) geography (e.g. country or region).

Unitholders

Not mandatory

This section shows a reconciliation of the net assets attributable to unitholders, explains the Fund's approach to capital risk management and provides details of distributions made to unitholders during the reporting period.

11.	Net assets attributable to unitholders	97
12.	Distributions to unitholders	99

AASB101(112)(c)

11 Net assets attributable to unitholders [1-11]

AASB132(16A)

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Fund classifies the net assets attributable to unit holders as equity as they satisfy the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

AASB101(79),(80)
AASB101(136A)(a)

Movements in the number of units and net assets attributable to unitholders during the year were as follows:[1-4]

	30 June 2020 Number	30 June 2019 Number	**30 June 2020 $'000**	30 June 2019 $'000
Opening balance	**7,866,012**	6,888,200	**83,149**	77,187
Applications	**2,335,279**	1,183,103	**26,991**	12,902
Redemptions	**(1,024,095)**	(205,291)	**(8,670)**	(2,165)
Units issued upon reinvestment of distributions[4]	**-**	-	**-**	-
Distributions paid and payable	**-**	-	**(1,050)**	(1,000)
Profit/(loss) for the year	**-**	-	**11,235**	(3,775)
Closing balance	**8,177,196**	7,866,012	**111,655**	83,149

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

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

AASB101(136A)(b-d)

Capital risk management[5-8]

AASB101(134),(135)

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

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the responsible entity. Under the terms of the Fund'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.

Net assets attributable to unitholders

1. As discussed in Note 2 to the financial statements, net assets attributable to unitholders are classified as equity in accordance with AASB 132 *Financial Instruments: Presentation* for VALUE ACCOUNTS Unit Trust.

   VALUE ACCOUNTS Unit Trust has included information in this note for convenience notwithstanding some of the information is also disclosed in the accounting policies note. The repetition of this information is not required.

AASB101(79),(80)

2. For each class of units on issue at any time during the reporting period, the number and amount of the following shall be disclosed:
   (a) units authorised
   (b) units on issue as at the beginning of the reporting period
   (c) units issued during the reporting period
   (d) units redeemed or otherwise cancelled during the reporting period, and
   (e) units on issue as at the end of each reporting period.
   (f) a reconciliation of the number of the units at the beginning and end of the period.
   (g) par value per unit.
3. The redemption price reflects the unitholders' right to their share of the unrealised gain, therefore, the presentation of net assets attributable to unitholders on an aggregated basis (i.e. inclusive of what might otherwise be considered as retained profits/accumulated losses or reserves) is consistent with the economic nature of the unitholders' rights.
4. Investment funds may issue units in lieu of paying cash distributions VALUE ACCOUNTS Unit Trust illustrates a situation where distributions were made via reinvestment in 2019 but were paid in cash during 2020.

AASB101(134),(135)

Capital management strategy

5. The capital risk management disclosures represent illustrative disclosures for an investment fund.
6. Reporting entities are required to disclose information that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.
7. The information in relation to capital that must be disclosed includes:
   (a) qualitative information: a description of what the entity manages as capital, information about any externally imposed capital requirements and how the entity is meeting its objectives for managing capital
   (b) summary quantitative data about what the entity manages as capital
   (c) changes in (a) or (b) from the previous period
   (d) whether the entity complied with externally imposed capital requirements and, if not, the consequences of the non-compliance
8. Some fund constitutions provide the responsible entity with the discretion to reject an application or to defer or adjust a redemption request enabling the responsible entity to manage the fund in the best interests of all unitholders. PwC recommends the disclosure of such discretion, or special terms and conditions relating to applications and redemptions, in the financial statements.

Puttable instruments

AASB101(136A)

9. For puttable financial instruments classified as equity the entity shall also disclose (to the extent not disclosed elsewhere):
   (a) summary quantitative data about the amount classified as equity
   (b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period
   (c) the expected cash outflow on redemption or repurchase of that class of financial instruments, and
   (d) information about how the expected cash outflows on redemption or repurchase were determined.

Net assets attributable to unitholders

AASB101(80A)

10. If an entity has reclassified a puttable financial instrument as an equity instrument or an instrument that imposes on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, it shall disclose the amount reclassified into and out of each category and the timing and reason for that reclassification.

AASB101(138)(d)

11. If the entity is a limited life entity, it shall disclose information regarding the length of its life in the notes to the financial statements, if not disclosed elsewhere in information published with the financial statements.

AASB101(107)

12 Distributions to unitholders[1-3]

The distributions for the year were as follows:

	Year ended			
	30 June 2020	**30 June 2020**	30 June 2019	30 June 2019
	$'000	**CPU**	$'000	CPU
Distributions paid	**1,000**	**12.229**	1,000	12.713
Distributions payable	**50**	**0.611**	-	-
	1,050		1,000	

Distributions to unitholders

AASB101(107)

1. Distributions should be disclosed for each class of units on issue at any time during the reporting period.

Dividends in the form of non-cash assets

2. If the entity has distributed assets other than cash as dividends to its owners, it shall:

AASB-I17(14-15)

(a) present the difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable as a separate line item in profit or loss

AASB-I17(16)

(b) disclose the following information, if applicable:

(i) the carrying amount of the dividend payable at the beginning and end of the period, and

(ii) the increase or decrease in the carrying amount recognised in the period as a result of a change in the fair value of the assets to be distributed.

AASB-I17(17)

3. If the entity has declared a dividend to distribute a non-cash asset after the end of the reporting period but before the financial statements are authorised for issue, it shall disclose:

(a) the nature of the asset to be distributed

(b) the carrying amount of the asset(s) to be distributed as of the end of the reporting period, and

(c) the estimated fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method used to determine that fair value required by paragraphs 93(b), (d), (g) and (i) and 99 of AASB 13.

Cash flow information

Not mandatory

This section provides further information in relation to the Funds' statement of cash flows.

13. Cash and cash equivalents 101

14. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities 102

13 Cash and cash equivalents[1-2]

		30 June 2020 $'000	30 June 2019 $'000
AASB107(45)	Cash at bank	**1,620**	325
AASB107(45)	Money market instruments	**2,000**	1,000
		3,620	1,325

Cash and cash equivalents

Definition of cash and cash equivalents

AASB107(45)

1. Entities must disclose the components of cash and cash equivalents and present a reconciliation of the amounts in their statement of cash flows with the equivalent items reported in the balance sheet. Refer to commentary paragraphs 4-8 to the statement of cash flows for a discussion on what items may be classified as cash and cash equivalents.
2. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use.

AASB107(48)

14 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities[1-5]

	Year ended	
	30 June 2020	30 June 2019
	$'000	$'000
AASB1054(16) **(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities[3]**		
Profit/(loss) for the year	**11,235**	(3,775)
Proceeds from sale of financial instruments at fair value through profit or loss	**9,223**	7,188
Purchase of financial instruments at fair value through profit or loss	**(28,175)**	(16,337)
Net (gains)/losses on financial instruments at fair value through profit or loss	**(8,158)**	4,225
Net change in margin accounts	**803**	487
Net change in receivables and other assets	**(49)**	665
Net change in payables and other liabilities	**170**	(355)
Net cash inflow/(outflow) from operating activities	**(14,951)**	(7,902)

AASB107(43)

(b) Non-cash financing and investing activities[1]

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**-**	-

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

Information to be disclosed

AASB107(43)

1. Investing and financing transactions that do not require the use of cash or cash equivalents shall be disclosed in a way that provides all the relevant information about the investing and financing activities.

AASB107(44)

2. Other examples of transactions or events that would require disclosure under paragraph 43 of AASB 107 include the following:
   (a) acquisitions of assets by assuming directly related liabilities or by means of a finance lease
   (b) acquisitions of entities by means of an equity issue
   (c) conversion of debt to equities

AASB1054(16)

Indirect method of presenting cash flows from operations activities

3. Entities that present their operating cash flows using the indirect method will not need to disclose a reconciliation such as the one in Note 14 to the financial statements, since most of the information provided in this note will in that case be provided on the face of the statement of cash flows

Net debt reconciliation

AASB 107 (44A)-(44E)

4. Entities must disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from:
   (a) Cash flows, such as drawdowns and repayments of borrowings, and
   (b) Non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

5. As VALUE ACCOUNTS Investment Funds does not have any liabilities for which the cash flows are classified as financing activities in the statement of cash flows no disclosure of a reconciliation is required. However, investment funds that do have borrowings will need to be mindful of this requirement. For an illustration of the new disclosure requirement please refer to our VALUE ACCOUNTS Holdings Limited December 2019 publication.

Further details

Not mandatory

This section provides information about specific expense items and related party transactions

15.	Remuneration of auditors	105
16.	Other operating expenses	108
17.	Related party transactions	108

15 Remuneration of auditors[1-17]

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the Fund and by PwC's related network firms:

		Year ended	
		30 June 2020 $	30 June 2019 $
	Auditors of the Fund - PwC and related network firms [11-13]		
AASB1054(10)(a)	Audit and review of financial reports [3-5]	**30,893**	25,625
AASB1054(10)(b),(11)	Other assurance services [8,9]		
	Audit of compliance plan	**12,523**	11,604
AASB1054(10)(b),(11)	Other non-audit services [10]		
	Tax compliance services	**11,590**	8,642
	Benchmarking services	**-**	1,139
	Total other non-audit services	**11,590**	9,781
	Total services provided by PwC	**55,006**	47,010

It is the Fund's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers expertise and experience with the Fund are important. These assignments are principally tax advice, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Fund's policy to seek competitive tenders for all major consulting projects.

Remuneration of auditors

AASB1054(10)

Audit remuneration disclosure requirements

1. Under AASB 1054 *Australian Additional Disclosures* entities must disclose fees to each auditor or reviewer, including any network firm, separately for:
   (a) the audit or review of the financial statements, and
   (b) all other services performed during the period.

   The sample disclosures in Note 15 to the financial statements present the typical situation for an investment fund that pays audit and non-audit fees directly.

Recent developments in the disclosure of auditor remuneration

2. In February 2020, the *Parliamentary Joint Committee on Corporations and Financial Services Regulation of Auditing in Australia: Interim Report* recommended standard setters enhance the disclosures of auditor remuneration by better defining the categories so that they provide more information about the split of remuneration between audit and non-audit services. We have developed the illustrative disclosures in this publication based on draft recommendations made by ASIC and we encourage entities to consider these in their 30 June 2020 financial statements. These enhanced disclosures go further than the current disclosure requirements in AASB 1054 *Australian Additional Disclosures* and section 300 of the *Corporations Act 2001* as outlined in paragraphs 1 and 10 of this commentary.

Remuneration of auditors

Audit and review of the financial report

AASB1054(11)

3. In our illustrative disclosures, audit and review of the financial report includes services provided by the auditor and their network firms to audit the statutory financial report of the Fund. As a practical approach, the fees disclosed for the current year will also include overruns billed after the financial statements for the previous financial year were finalised.
4. ASIC proposes including the full year audit and half year review in this category. Remuneration paid to other auditors outside of PwC networks also needs to be disclosed separately.

SI 2011/2198

5. There are some new areas of work such as wages trust or fraud where a component of the work is done as part of the audit of the financial report and so is included in the audit fees. Other components of this work, such as legal assurance over compliance with contracts, may currently be included in other assurance services.

Other statutory assurance services

6. Other statutory assurance services include services required by legislation to be provided by the statutory financial report auditor. Examples are audit and review work required by APRA and Australian Financial Services License audits.
7. Other statutory assurance services were not provided to the Fund, and accordingly, not disclosed in our illustrative disclosures.

Other assurance services

8. In our illustrative disclosures, other Assurance services include other assurance and agreed-upon-procedures services as defined in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (or similar professional requirements, or performed under contractual arrangements) where there is discretion as to whether the service is provided by the statutory auditor or another firm.
9. It would also include extended audit work that is authorised by those charged with governance and performed on financial or non-financial information and financial or non-financial controls where this work is intended to extend the audit work and provide additional assurance. Examples of other assurance services might include reviews of climate-related financial disclosures, cyber controls assurance, fraud or wage contract compliance agreed-upon-procedures, financial due diligence, controls assurance and agreed-upon-procedures performed for APRA.

Other non-audit services

SI 2011/2198

10. Other fees for non-audit services are required to be disclosed by type of service under the Corporations Act (Section 300 (11B) and (11C)). All fees paid to auditors of the parent, controlled entities and joint operations are included, following normal consolidation requirements. The UK requires separate disclosure of tax compliance, tax advisory, internal audit, corporate finance related service and other.

Network firm

AASB1054(BC7)

11. The notion of a network firm is taken from APES 110 *Code of Ethics for Professional Accountants* issued by Accounting and Professional Ethical Standards Board (APESB). The AASB decided not to define network firm or provide explanatory material for the purposes of AASB 1054 on the basis that the notion is generally understood. Services provided by non-related audit firms and their related networks are required to be disclosed separately. However, as the Fund did not receive any services from non-related audit firms, the illustrative disclosures do not include the said disclosures.

APES 110
Glossary

12. A network firm is defined in APES 110 as a firm or entity that belongs to a network. A network is a larger structure:
    (a) that is aimed at co-operation, and
    (b) that is clearly aimed at profit or cost sharing, or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name or a significant part of professional resources.
13. Further guidance on networks and network firms can be found in paragraphs 400.50.A1 to 400.54.A1 of APES 110.

Remuneration of auditors

Amounts paid or payable by another entity

14. Where an amount is paid or payable by another entity (e.g. the parent entity or the responsible entity) the recommended approach is to disclose the amount in the individual entity's notes to the financial statements, regardless of who paid it. In cases where it is not possible to make an allocation, the individual entity's financial statements should include a suitable explanation.

Goods and Services Tax (GST)

UIG1031(6),(7)

15. Amounts disclosed for auditor's remuneration should be net of goods and services tax (GST) except where the GST included in fees is not recoverable from the tax authority. GST that is not recoverable should be included as part of the remuneration. This disclosure is consistent with UIG 1031 *Accounting for the Goods and Services Tax* (GST) which requires revenues, expenses and assets to be recognised net of the amount of GST, except that where the GST is not recoverable it shall be recognised as part of the cost of acquisition of the asset or as part of the item of expense to which it relates.

16. We recommend that entities that are not able to recover GST on fees for audit and other services and other expenses should include a policy note indicating which expense items disclosed in the financial statements are inclusive of non-recoverable GST. They could also amend the wording of specific disclosures such as auditor's remuneration to make it clear that the amounts disclosed are inclusive of non-recoverable GST, e.g. by adding the words 'including non-recoverable GST' to the relevant captions.

Rounding

ASIC 2016/191

17. Audit remuneration must be disclosed to the nearest dollar by entities with assets (or consolidated assets) of less than $1,000 million, and such remuneration may only be rounded to the nearest $1,000 by entities with assets (or consolidated assets) of more than $1,000 million. See Appendix A for further information.

16 Other operating expenses[1]

	Year ended	
	30 June 2020	30 June 2019
	$'000	$'000
Overseas advisory fees	**51**	40
Other fees	**42**	32
Withholding tax expense	**10**	9
	103	81

Other operating expenses

Material items

AASB101(97) 1. When items of income and expense are material, their nature and amount shall be disclosed separately either in the statement of comprehensive income or in the notes.

17 Related party transactions[1-25]

(a) Responsible entity

AASB124(9)(18) The responsible entity of VALUE ACCOUNTS Unit Trust is VALUE ACCOUNTS Investment Funds Limited.

(b) Directors

AASB124(9) Key management personnel includes persons who were directors of VALUE ACCOUNTS Investment Funds Limited at any time during the financial year as follows:

Not mandatory A Director (resigned 14 October 2018)

B Director

C Director

D Director (appointed 20 May 2019)

(c) Other key management personnel

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

(d) Transactions with key management personnel[14-21]

AASB124(17),(18A) Key management personnel services are provided by VALUE ACCOUNTS Investment Funds Limited and included in the management fees disclosed in (e) below. There is no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

AASB128(18),(19)(f) The following transactions occurred with key management personnel during the reporting period:

	30 June 2020	30 June 2019
	$	$
Application for units	**601,802**	**230,606**
Redemption of units	**-**	**-**

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

CA300(13)(b)

Not mandatory

Key management personnel unitholdings[19]

The key management personnel of VALUE ACCOUNTS Investment Funds Limited held units in the Fund as follows:

30 June 2020							
Unitholder	**No. of units held opening**	**No. of units held closing**	**Fair value of Investment**	**Interest held**	**No. of units acquired**	**No. of units disposed**	**Distributions paid/payable by the Fund**
	(Units)	**(Units)**	**($)**	**(%)**	**(Units)**	**(Units)**	**($)**
B Director	**85,000**	**132,000**	**1,606,000**	**.001**	**47,000**	**-**	**16,100**

30 June 2019							
Unitholder	No. of units held opening	No. of units held closing	Fair value of Investment	Interest held	No. of units acquired	No. of units disposed	Distributions paid/payable by the Fund
	(Units)	(Units)	($)	(%)	(Units)	(Units)	($)
B Director	63,000	85,000	898,000	.001	22,000	-	11,000

Except as disclosed above, no key management personnel have entered into any transactions with the Fund during the financial year and there were no material balances involving key management personnel's interests outstanding at year end.

(e) Responsible entity's/manager's fees and other transactions

AASB124(18), (18A)
AASB124(19)(b)

Under the terms of the Fund 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 Fund as follows:

(i) 0.60% (2019: 0.60%) per annum charged on the first $100,000,000 of unitholders' funds managed

(ii) 0.50% (2019: 0.50%) per annum charged on the next $50,000,000 of unitholders' funds managed, and

(iii) 0.40% (2019: 0.40%) per annum charged on any unitholders' funds thereafter.

Under the terms of the Fund Constitution, the responsible entity is also entitled to receive a performance fee if the performance of the Fund exceeds its benchmark, being the MSCI World Index, by 10%. No performance fee was paid in the current or previous year.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are reimbursed in accordance with the Fund Constitution.

The transactions during the year and amounts payable at year end between the Fund and the responsible entity were as follows:

	30 June 2020	30 June 2019
	$	$
Management fees for the year paid by the Fund to the responsible entity	**803,136**	683,624
Fees earned by the responsible entity in respect of investments by the Fund in other schemes managed by the responsible entity*	**80,033**	59,303
Administration expenses incurred by the responsible entity which are reimbursed in accordance with the Fund Constitution	**12,091**	19,211
Aggregate amounts payable to the responsible entity at the end of the reporting period	**65,356**	58,108

* Where the Fund invests into other schemes managed by the responsible entity, the responsible entity's fee is calculated after rebating fees charged in the underlying schemes.

(f) Related party unitholdings[22]

The only related party to the fund as defined by AASB 124 is VALUE ACCOUNTS Investment Funds Limited which has no unit holdings in the fund. Other schemes (managed by VALUE ACCOUNTS Investment Funds Limited), held units in the Fund as follows:

Not mandatory

30 June 2020							
Unitholder	**No. of units held opening**	**No. of units held closing**	**Fair value of investment**	**Interest held**	**No. of units acquired**	**No. of units disposed**	**Distributions paid/ payable by the Fund**
	(Units)	**(Units)**	**($)**	**(%)**	**(Units)**	**(Units)**	**($)**
VALUE Super annuation Fund	**1,732,439**	**1,193,144**	**14,514,597**	**13**	**266,705**	**806,000**	**6,503**
VALUE Life Limited	**-**	**276,273**	**3,360,861**	**3**	**276,273**	**-**	**1,506**
VALUE Master Fund	**1,101,974**	**1,744,493**	**21,221,757**	**19**	**892,519**	**250,000**	**9,508**

30 June 2019							
Unitholder	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed	Distributions paid/ payable by the Fund
	(Units)	(Units)	($)	(%)	(Units)	(Units)	($)
VALUE Super annuation Fund	1,405,988	1,732,439	18,292,823	22%	326,451	-	220,245
VALUE Master Fund	906,742	1,101,974	11,635,743	14%	195,332	100	140,094

(g) Investments[22]

The Fund held investments in the following schemes which are also managed by VALUE ACCOUNTS Investment Funds Limited or its related parties:

Not Mandatory

	Fair value of investment		**Interest held**		**Distributions received/ receivable**		**Units acquired during the year**		**Units disposed during the year**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$	$	**%**	%	**$**	$	**No.**	No.	**No.**	No.
VALUE Australian Share Fund	**4,923,002**	6,811,099	**8**	5	**30,113**	30,022	**-**	-	**-**	15,000
VALUE International Fund	**4,265,133**	184,291	**16**	12	**-**	21,187	**50,000**	-	**-**	-
VALUE Property Securities Fund	**9,688,027**	7,247,122	**12**	13	**45,301**	-	**30,000**	-	**-**	10,000
	18,876,162	14,242,512			**75,414**	51,209	**80,000**	-	**-**	25,000

Distributions received/receivable includes an amount of $30,113 (2019: $30,022) in respect of VALUE Australian Share Fund which remains unpaid at the end of the reporting period.

The Fund did not hold any investments in VALUE ACCOUNTS Investment Funds Limited or its related parties during the year.

Related party transactions

Accounting standards and other guidance for related party disclosures

AASB (18)(19)

1. Accounting standards for related party disclosures are set out in AASB 124 *Related Party Disclosures*.

   While not all of the disclosure requirements of AASB 124 are set out in this note, those normally relevant to registered schemes have been illustrated. More detailed disclosures and commentary are provided in the financial statements of VALUE ACCOUNTS Holdings Annual financial reporting December 2019.

   For purposes of this illustrative financial report, VALUE ACCOUNTS UNIT Trust has disclosed other funds managed by the fund manager as related entities. However, the only disclosure which is mandatory under AASB 124 is the holdings of the fund manager itself in the fund (not the funds also managed by the same fund manager) which is not applicable for this illustrative. See paragraphs 20-22 below for further information.

Presentation

AASB (18)(19)

2. All of the related party information required by AASB 124 that is relevant to the Fund has been presented, or referred to, in one note. This is considered to be a convenient and desirable method of presentation, but there is no requirement to present the information in this manner. Compliance with the standard could also be achieved by disclosing the information in relevant notes throughout the financial statements.

Materiality

AASB124(IG 11)

AASB101(7)

3. The disclosures required by AASB 124 apply to the financial statements when the information is material. According to AASB 101 *Presentation of Financial Statements,* materiality depends on the size and nature of an item. It may be necessary to treat an item or a group of items as material because of their nature, even if they would not be judged material on the basis of the amounts involved. This may apply when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions between the entity and its key management personnel.

4. It is particularly important to consider the nature of related party transactions. For example, services may be provided free of charge to a related party and a conclusion on whether the services provided are material can only be made by considering their nature.

Relationships between parents and subsidiaries

AASB124(13)

5. Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

AASB124(13)

6. The ultimate controlling party may be an individual or a group of individuals (e.g. a family).

AASB124(Aus13.1)

7. If any of the parent entities or the ultimate controlling parties disclosed as per paragraph 5 above is incorporated or otherwise constituted outside Australia, the disclosure must identify which of the entities is incorporated overseas and where, and disclose the name of the ultimate controlling entity that is incorporated within Australia.

Transactions with related parties

AASB124(18)

8. If there have been transactions between the reporting entity and a related party, the reporting entity must disclose:

   (a) the nature of the related party transactions, and

   (b) information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements:

AASB124(18)(a)

      (i) the amount of the transactions

Related party transactions

AASB124(18)(b)
(ii) the amount of outstanding balances (including commitments) and their terms and conditions, whether they are secured, the nature of the consideration to be provided in settlement and details of any guarantees given

AASB124(18)(c)
(iii) provisions for doubtful debts related to the amount of outstanding balances, and

AASB124(18)(d)
(iv) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

AASB124(9),(21i)
9. Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised).

Related party definition

AASB124(9),(IE4)-(IE26)
10. The definition of a related party includes the following persons and entities:
   (a) A person (or a close member of that person's family) is related to the reporting entity if the person:
      (i) has control or joint control over the reporting entity
      (ii) has significant influence over the reporting entity, or
      (iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity
   (b) An entity (B) is related to a reporting entity (A) if:
      (i) A and B are members of the same group (that is all entities within a group are related to each other)
      (ii) A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to
      (iii) A and B are joint ventures of the same third party, C
      (iv) A is a joint venture of C and B is an associate of C (or vice versa)
      (v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A
      (vi) B is controlled or jointly controlled by a person identified in (a) above
      (vii) A person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B.
      (viii) B, or any member of a group of which B is a part, provides key management personnel services to A or to A's parent.

AASB124(12)
11. In the above definition, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

AASB124(9)
12. Close family members are defined as those family members who may be expected to influence, or be influenced by, the key management person. They include a person's children and spouse or domestic partner, children of that person's spouse or domestic partner and dependants of that person's spouse or domestic partner.

Key management personnel disclosures

Disclosures for all reporting entities

AASB124(17)
13. All reporting entities must disclose key management personnel compensation in total and for each of the following categories:

AASB124(17)(a)
   (a) Short-term employee benefits

AASB124(17)(b)
   (b) Post-employment benefits

AASB124(17)(c)
   (c) other long-term benefits

AASB124(17)(d)
   (d) termination benefits

AASB124(17)(e)
   (e) share-based payments

Related party transactions

Key management personnel

AASB124(9)

14. For the purposes of AASB 124, key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

AASB124(Aus9.1)

15. A director is a person who is a director under the *Corporations Act 2001* or, in the case of entities governed by bodies not called a board of directors, a person who, regardless of the name that is given to the position, is appointed to the position of member of the governing body, council, commission or authority. Individuals who are directors of subsidiaries within an economic entity but not directors of the parent entity are not directors of the group.

16. For a typical MIS, the key management personnel would include the directors of the responsible entity and possibly other non-director personnel of either the responsible entity or the Fund itself (for example a full-time CEO of the responsible entity).

AASB124 (17A),(18A)

17. If an entity hires key management personnel services from another entity (e.g. a responsible entity or management entity), the entity does not need to disclose any compensation paid by the management entity to its employees or directors. Instead, the management entity (and any member of the group of which the management entity is a part) is specifically identified in paragraph 9(b)(viii) as a related party and amounts payable to the management entity for the provision of key management personnel services must be separately disclosed.

AASB124(18)

18. In addition, if there are any transaction entered into directly between the reporting entity (i.e. the fund) and the key management personnel these would need to be disclosed in aggregate. VALUE ACCOUNTS Unit Trust has not entered into any such transactions.

Individual KMP disclosures no longer required

AASB2011-4
CA300A
CR2M.3.03

19. The Australian-specific disclosure requirements in AASB 124 which required detailed disclosures of compensation received by each KMP, equity holdings, loans and other transactions with individual KMPs (paragraphs Aus29.1 to Aus29.9.3) were removed from AASB 124 effective for financial years commencing on or after 1 July 2013. Listed disclosing entities that are companies must now make these disclosures in their remuneration report under Section 300A of the *Corporations Act* and *Corporations Regulations 2M.3.03.* However, as section 300A does not apply to disclosing entities that are not companies, entities such as VALUE ACCOUNTS Unit Trust are no longer required to provide the detailed disclosures in their notes to the financial statements. Nevertheless, we have retained the disclosure of the names of the individual KMPs and the units held by each of them, as many preparers consider this information relevant and of interest to investors and other stakeholders.

Transactions with related parties of the responsible entity

AASB124(1)

20. The objective of AASB 124 is to ensure that the entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. On that basis, if there are significant transactions with entities that are a related party of the responsible entity, then these should also be disclosed. The amendments in AASB 124 confirm this, by specifically identifying a management entity and any members of the group of which the management entity is a part as related parties.

21. Examples of such transactions may be deposits held with, or custodian fees paid to a parent entity or a sister entity of the responsible entity. VALUE ACCOUNTS Unit Trust has not entered into any such transactions and therefore has not made any disclosures in this regard.

Related party schemes' unitholders

Non Mandatory

22. The disclosure of units held in the Fund by other schemes that are managed by the same entity and vice versa was previously recommended by the FSC. While the relevant guidance note has since been repealed, PwC believes disclosure of such information is best practice and will further help users understand the full extent of related party relationships and transactions.

Related party transactions

Terms and conditions

AASB124(18)(b)(i), (23)

23. The terms and conditions of outstanding balances shall be disclosed, including whether they are secured, and the nature of the consideration to be provided in settlement. Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

Categories

AASB124(19)

24. The disclosures of related party transactions required by paragraph 18 of AASB 124 shall be made separately for each of the following categories:
    (a) the parent
    (b) entities with joint control or significant influence over the entity
    (c) subsidiaries
    (d) associates
    (e) joint ventures in which the entity is a venture
    (f) key management personnel of the entity or its parent, and
    (g) other related parties.

Rounding

ASIC 2016/191

25. Any amounts required to be disclosed by AASB 124 in relation to transactions with related parties, key management personnel compensation and other key management personnel information shall be shown to the nearest dollar by entities with assets (or consolidated assets) of less than $1,000 million, and may only be rounded to the nearest $1,000 by entities with assets (or consolidated assets) of more than $1,000 million. Refer to Appendix A for further commentary.

Unrecognised items

Not mandatory

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

18. Events occurring after the reporting period 116

19. Contingent assets and liabilities and commitments 116

18 Events occurring after the reporting period[1-5]

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

Events occurring after the reporting period

Non-adjusting events after the reporting period

AASB110(21)(a)(b)

1. The above disclosure indicates that there have been no reportable subsequent events. In the event that an event occurred that is indicative of conditions that arose after the reporting period (i.e. a non-adjusting event), disclosure should be made of the nature of the event and an estimate of its financial effect (or a statement that such an estimate cannot be made).

Updating disclosure about conditions at the end of the reporting period

AASB110(19),(20)

2. If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to these conditions, in the light of the new information.

Business combinations effected after the reporting period

AASB3(59)(b)
AASB3(B64) (B66)

3. AASB 3 *Business Combinations* requires disclosures relating to business combinations effected after the reporting period but before the financial statements are authorised for issue. The acquirer shall disclose the information required by paragraph B64 of AASB 3 for each business combination, unless the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.
4. More detailed disclosures and commentary are provided in the financial statements of VALUE ACCOUNTS Holding Limited Annual financial reporting December 201919 publication.

Using pro forma balance sheets to disclose post reporting period acquisitions and disposals

ASIC 2015/842

5. To illustrate the financial effect of material acquisitions and disposals of entities or operations after the reporting period, an entity may wish to present a pro-forma balance sheet in the notes to the financial statements. While the *Corporations Act 2001* does not generally permit pro-forma financial statements to be included in a financial report, ASIC has given relief in these particular circumstances, provided certain conditions set out in *ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842* (formerly class order 05/644) are satisfied.

19 Contingent assets and liabilities and commitments

AASB137(86)(89)(91)
AASB101(114)(c)(iv)

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

CA295(1)(c)

Directors' declaration[1-9]

In the opinion of the directors of the responsible entity:

CA295(4)(d)

(a) the financial statements and notes set out on pages 23-119 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;[3]

  (ii) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date,

CA295(4)(c)

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable4, and

CA295(4)(ca)

(c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.5

CA295(5)(a)

This declaration is made in accordance with a resolution of the directors.[6-7]

CA295(5)(c)

B Director[8]

Disclosure of location not mandatory

Sydney

CA295(5)(b)

14 September 2020[8]

Directors' declaration

Format of directors' declaration

1. The directors' declaration illustrated is included by way of example. Other formats can be used as long as they comply with all relevant requirements.
2. This document does not illustrate the directors' declaration for consolidated financial statements. Please refer to VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2019 publication for details.

Reference to other mandatory professional reporting requirements

3. Reference to other mandatory professional reporting requirements is not required, but is recommended.

Solvency declaration

ASIC RG22

4. In Regulatory Guide 22, ASIC provides guidance to directors and auditors of companies in relation to the solvency declaration required by CA 295(4)(c). The Guide discusses the obligations on directors in making the declaration, and the implications for auditors, under the following headings:
   (a) debts to be taken into account by directors in making the solvency statement
   (b) matters to be considered by directors
   (c) qualified statements by directors, and
   (d) implications for auditors.

CA295(4)(ca)

IFRS compliance statement

5. The directors' declaration must mention if the notes to the financial statements include an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS). However, there is no need to explain why such a statement has been omitted, where this is the case.

Declarations by CEO and CFO - listed entities only

CA295A(4)

6. The directors' declaration of a listed entity must state that the directors have been given the declarations by the chief executive officer (CEO) and chief financial officer (CFO) required by CA 295A in relation to the entity's financial statements.

CA295A(1),(2)

7. The declarations must state whether, in the CEO's and CFO's opinion:
   (a) the financial records of the entity for the financial year have been properly maintained in accordance with CA 286
   (b) the financial statements and notes for the financial year comply with accounting standards
   (c) the financial statement and notes for the financial year give a true and fair view
   (d) any other matters that are prescribed by regulations in relation to the financial statements and notes for the financial year are satisfied.

Dating and signing of declaration

CA295(5)(a)-(c)

8. The directors' declaration shall be made in accordance with a resolution of the directors, specify the date on which it was made and be signed by a director.
9. The deadlines for various kinds of entities for signing the directors' declaration are set out in Appendix C.

Independent audit report to the unitholders of Value Accounts Unit Trust[1-5]

ASA700
CA307,CA308

The audit report will be provided by the entity's auditor upon completion of the audit of the financial report. As the wording of the report may differ in certain aspects from fund to fund, we have not included an illustrative report in this publication.

Independent audit report

Form and content of audit report

CA307A

1. Standards and guidance on the preparation of audit reports on general purpose financial reports are given in Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*. Compliance with ASA 700 is mandatory for all audits carried out under the *Corporations Act 2001* and for all other audits carried out by members of the Accounting Bodies.

Other matters on which the auditor may be required to report

CA308(2)

2. If the auditor is of the opinion that the financial report does not comply with an accounting standard, the audit report must, to the extent it is practicable to do so, quantify the effect of the non-compliance. If it is not practicable to quantify the effect fully, the report must say why.

CA308(3)

3. The audit report must describe (on an exception basis):
   (a) any defect or irregularity in the financial report
   (b) any deficiency, failure shortcoming in respect of the following or matters:
      (i) whether the auditor has been given all information, explanation and assistance necessary for the conduct of the audit
      (ii) whether the entity has kept financial records sufficient to enable a financial report to be prepared and audited
      (iii) whether the entity has kept other records and registers as required by the *Corporations Act 2001.*

CA308(3A)

4. The audit report must include any statements or disclosures required by auditing standards.

CA308(3B)

5. If the financial report includes additional information under CA 295(3)(c) (information included to give a true and fair view of financial position and performance), the audit report must include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by CA 297.

VALUE ACCOUNTS Pooled Superannuation Trust
Financial statements – 30 June 2020

Introduction

This section of the publication presents extracts from illustrative general purpose financial statements for a fictitious pooled superannuation trust (PST), VALUE ACCOUNTS Pooled Superannuation Trust (the Trust), which is a PST in accordance with the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and *Superannuation Industry Regulations 1994* (SIS Regulations).

The annual financial statements consist of:

- a statement of comprehensive income
- a balance sheet
- a statement of changes in equity
- a statement of cash flows
- extracts from the notes to the financial statements
- a trustee's statement, and
- an independent report of the approved auditor.

The PST invests in listed equities, unlisted unit trusts, equity and index derivatives, fixed interest securities and currency contracts.

The purpose of these illustrative financial statements is to highlight the differences between the disclosure requirements of a unit trust, as provided in the VALUE ACCOUNTS Unit Trust illustrative financial statements, and the disclosure requirements for a PST. Therefore, the illustrative disclosures provided should be read in conjunction with the full disclosures provided in VALUE ACCOUNTS Unit Trust's financial statements. The disclosure requirements should be adapted to particular situations as required, or alternative preferred disclosures, wordings and forms of presentation which may be equally acceptable can be adopted where they include the specific disclosures prescribed in the reporting pronouncements.

Source of disclosure requirements

A column has been provided in the reports and statements for direct reference to the source of disclosure requirements.

Abbreviations

Abbreviations used in this publication are set out in Appendix I.

VALUE ACCOUNTS Unit Trust

Annual report – 30 June 2020

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These financial statements cover VALUE ACCOUNTS Pooled Superannuation Trust as an individual entity.

The Trustee of VALUE ACCOUNTS Pooled Superannuation Trust is Trustee Ltd (ABN 11 222 333 444).

The Trustee’s registered office is:
350 Harbour Street
Sydney, NSW, 2000

Financial reporting of pooled superannuation trusts

A summary of main differences between the annual financial statements of a pooled superannuation trust and the financial statements of a registered scheme are set out below.

Applicable law and accounting standards

Pooled superannuation trusts (PSTs) are required to prepare financial statements in accordance with the SIS Act and SIS Regulations.

Section 35A of the SIS Act requires that each trustee of a superannuation entity must ensure that accounting records which correctly record and explain the transactions and financial position of the entity are kept.

It does not specify the format of these accounting records. However, the audit report is required to be prepared in the approved form under SIS and refers to Accounting Standards. This means that the financial statements must be prepared in accordance with Australian Accounting Standards unless they are prepared as special purpose financial statements. AASB 101 *Presentation of Financial Statements* requires the preparation of a statement of comprehensive income, balance sheet, statement of changes in equity and statement of cash flows. This will also meet the SIS financial statement requirements.

The requirements of Parts 2M.2 and 2M.3 of the *Corporations Act 2001*, which relate to financial records and financial reporting, do not apply to PSTs because they are not registered schemes (by virtue of the definition of a managed investment scheme in Section 9 of the *Corporations Act 2001*).

Trustee's report

A Trustee's report has not been included within the annual financial statements as the information which would be included in such a report is included in the PST annual report distributed to unitholders in accordance with Subdivision 5.7 (7.9.41) of the *Corporations Regulations 2001.*

Taxation

A PST (like all complying superannuation entities) is a taxable entity and is taxed at the concessional tax rate of 15%. For certain assets, the concessional tax rate reduces to 10% after allowing for a one third discount on capital gains. Accordingly, a PST should adopt tax-effect accounting in accordance with AASB 112 *Income Taxes.*

Non-distributing entity

It is market practice that PSTs do not make distributions although there is no legislation that prevents distributions from being made. It has been assumed that VALUE ACCOUNTS Pooled Superannuation Trust is a non-distributing trust.

Classification of unitholders' funds

VALUE ACCOUNTS Pooled Superannuation Trust has applied AASB 132 which deals with puttable instruments and obligations arising on liquidation. Unitholders' funds are classified as equity.

To qualify for equity classification, the instrument must comply with all of the following:

- It must be in the most subordinated class of instruments, and all instruments in that class must have identical features. In the event of liquidation, the holder must receive a pro rata share of the entity's remaining assets once the liabilities are repaid.
- Total cash flows of the instrument over its life must be substantially based on the performance of the entity, either with reference to its profits or losses, or its net assets.
- No other instrument should share in the performance of the entity in a similar way, and the puttable instrument's return should not be fixed or restricted by another instrument.
- A puttable instrument should not (apart from the put feature) have any contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities under potentially unfavourable conditions, or that will or may be settled in a variable number of the entities own equity instruments (relates puttable instruments only).

As VALUE ACCOUNTS Pooled Superannuation Trust has only one class of units and no contractual obligation to pay distributions, the units are equity in accordance with the criteria outlined above.

APRA Prudential Standards

VALUE ACCOUNTS Pooled Superannuation Trust has an operational risk reserve.

Reporting deadlines

The annual reporting deadlines for PSTs are summarised Appendix C.

Statement of comprehensive income[1-4]

		Notes	Year ended 30 June 2020 $'000	30 June 2019 $'000
	Investment income			
AASB7(20)(a)(i) AASB101(82)(a)	Interest income on financial assets at amortised cost		**4,813**	2,132
AASB9(5.7.1A, AASB101(82)(a)	Dividend income		**2,849**	2,826
AASB9(5.7.1A, AASB101(82)(a)	Distributions from unit trusts		**131**	-
AASB7(20), AASB101(82)(cb)	Net gains/(losses) on financial instruments at fair value through profit or loss	6	**44,858**	54,353
	Other operating income		**75**	1
AASB101(85)	**Total net investment income**		**52,726**	59,312
AASB101(99)	**Expenses**			
	Trustee's fees	16	**1,247**	1,426
	Auditor's remuneration	14	**13**	13
	Transaction costs		**9**	15
AASB101(82)(d) AASB112(77)	Withholding taxes on foreign dividends and interest		**10**	12
	Other operating expenses	15	**90**	295
	Total operating expenses		**1,369**	1,761
	Operating profit before income tax		**51,357**	57,551
AASB101(82)(d) AASB112(77)	Income tax expense	bb	**(6,922)**	(8,027)
AASB101(81A)(a)	**Profit for the year**		**44,435**	49,524
AASB101(81A)(b)	Other comprehensive income[4]		**-**	-
AASB101(81A)(c)	**Total comprehensive income**		**44,435**	49,524

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

Statement of comprehensive income

SIS35A(1)(a)

1. The SIS legislation requires that each trustee of a superannuation entity must ensure that accounting records which correctly record and explain the transactions and financial position of the entity are kept.
2. Note references, other than that for income tax, refer to the notes in VALUE ACCOUNTS Unit Trust's financial statements. These should be used for reference purposes only as the figures they contain may not agree to the statement of comprehensive income of VALUE ACCOUNTS Pooled Superannuation Fund.
3. For further commentary, refer to VALUE ACCOUNTS Unit Trust commentary for the Statement of comprehensive income.

AASB101(82A)

4. The Trust has no components of other comprehensive income and an additional line item has been included for illustrative purposes, however the line 'Total comprehensive income' is mandatory.

Balance sheet[1-5]

		Notes	As at 30 June 2020 $'000	30 June 2019 $'000
	Assets			
AASB101(54(i)	Cash and cash equivalents	12	**5,801**	1,612
AASB101(54)(h)	Receivables		**2,021**	679
AASB101(54)(h)	Due from brokers – receivable for securities sold		**12,742**	10,723
AASB101(54)(d)	Financial assets at fair value through profit or loss	7	**187,163**	260,767
	Total assets		**207,727**	273,781
	Liabilities			
AASB101(54)(k)	Due to brokers – payable for securities purchased		**1,277**	3,625
AASB101(54)(k)	Payables		**40**	360
AASB101(54)(n)	Income tax payable		**5,020**	2,402
AASB101(54)(o)	Deferred tax liability	cc	**2,875**	3,346
	Total liabilities		**9,212**	9,733
	Equity[5]			
	Unitholders' funds	aa	**198,525**	264,048
	Operational risk reserve	dd	**525**	400
			198,000	263,648

The above balance sheet should be read in conjunction with the accompanying notes.

Balance sheet

SIS35A(1)(a)
1. The SIS legislation requires that each trustee of a superannuation entity must ensure that accounting records which correctly record and explain the transactions and financial position of the entity are kept.
2. Note references, other than for income tax, unitholders' funds and the operational risk reserve, refer to the notes in VALUE ACCOUNTS Unit Trust's financial statements. These should be used for reference purposes only as the figures they contain may not agree to the balance sheet of VALUE ACCOUNTS Pooled Superannuation Trust.
3. For further commentary, refer to VALUE ACCOUNTS Unit Trust commentary on the Balance sheet.

AASB101(54)(n,)(o)
4. Current and deferred tax assets and liabilities shall be presented separately from each other and from other assets and liabilities.

AASB132(16)(A-F)
5. As VALUE ACCOUNTS Pooled Superannuation Trust has only one class of units and no contractual obligation to pay distributions, its units are classified as equity.

Statement of changes in equity[1-4]

		Unitholders' Funds $'000	Operational Risk Reserve $'000	Total Equity $'000
Balance at 1 July 2018		**215,260**	-	**215,260**
			-	
Profit for the year		49,524	**-**	49,524
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income for the year		**49,524**	**-**	**49,524**
Transactions with owners in their capacity as owners:				
Applications	aa	156,764	-	156,764
Redemptions	aa	(157,500)	-	(157,500)
		(736)	-	**(736)**
Transfers to the operational risk reserve	dd	(400)	400	-
Balance at 30 June 2019		**263,648**	**400**	**264,048**
Profit for the year		44,435	**-**	44,435
Other comprehensive income		-	**-**	-
Total comprehensive income for the year		**44,435**	**-**	**44,435**
Transactions with owners in their capacity as owners:				
Applications	aa	218,665	-	218,665
Redemptions	aa	(328,623)	-	(328,623)
		(109,958)	**-**	**(109,958)**
Transfers to the operational risk reserve	dd	(125)	125	-
Balance at 30 June 2020		**198,000**	**525**	**198,525**

Statement of changes in equity

1. While the SIS legislation does not mandate the statement of changes in equity as a primary financial statement, the financial statements must also comply with AASB 101 *Presentation of Financial Statements* which does require inclusion of a statement of changes in equity in a complete set of financial statements.
2. For further commentary, refer to VALUE ACCOUNTS Unit Trust commentary on the Statement of changes in equity.

AASB101(106)(d)
AASB101(108)

3. The reconciliation in the statement of changes in equity must be presented separately for each component of equity. Where an entity has more than one component of equity, separate columns must be presented in the statement of changes in equity for each component. Components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings. Refer to VALUE ACCOUNTS Holdings December 2019 publication page 61 for further guidance.

AASB101(107)

4. AASB 101 *Presentation of Financial Statements* requires an entity to disclosure the amount of distributions to owners during the period, as well as the related amount per unit. This information can be presented either on the face of the statement of changes in equity or in the notes. As VALUE ACCOUNTS Pooled Superannuation Trust does not pay distributions this disclosure has not been presented in these illustrative financial statements.

Statement of cash flows[1-3]

		Notes	Year ended 30 June 2020 $'000	30 June 2019 $'000
AASB107(10),(21)	**Cash flows from operating activities**			
AASB107(15)	Proceeds from sale of financial instruments at fair value through profit or loss		**345,508**	233,534
AASB107(15)	Purchase of financial instruments at fair value through profit or loss		**(236,346)**	(287,991)
	Transaction costs		**(9)**	(15)
AASB107(31)	Dividends received		**1,897**	2,841
AASB107(31)	Interest received		**4,447**	2,077
AASB107(31)	Trust distributions received		**107**	-
	Other income received		**75**	1
	Trustee's fees paid		**(1,549)**	(1,393)
	Payment of other expenses		**(121)**	(335)
AASB107(35)	Income tax paid		**(4,785)**	(3,717)
	Net cash inflow/(outflow) from operating activities	13(a)	**109,224**	(54,988)
AASB107(10),(21)	**Cash flows from financing activities**			
AASB107(17)	Proceeds from applications by unitholders		**218,665**	156,764
AASB107(17)	Payments for redemptions by unitholders		**(324,748)**	(153,900)
	Net cash inflow/(outflow) from financing activities		**(106,083)**	2,864
	Net increase/(decrease) in cash and cash equivalents		**3,141**	(52,124)
	Cash and cash equivalents at the beginning of the year		**1,612**	50,162
AASB107(28)	Effects of foreign currency exchange rate changes on cash and cash equivalents		**1,048**	3,574
	Cash and cash equivalents at the end of the year	12	**5,801**	1,612

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

Statement of cash flows

1. The note references refer to the notes in VALUE ACCOUNTS Unit Trust's financial statements. These should be used for reference purposes only as the figures they contain may not agree to the statement of cash flows of VALUE ACCOUNTS Pooled Superannuation Trust.
2. For further commentary, refer to VALUE ACCOUNTS Unit Trust commentary on the Statement of cash flows.
3. AASB107(35) Cash flows arising from income taxes shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

2 Summary of significant accounting policies(extracts)[1-3]

(a) Redeemable units

AASB132(16A)(a) The Trust issues redeemable units, which are redeemable at the holder's option and are classified as equity in accordance with AASB 132 *Financial Instruments: Presentation*.

Should the terms or conditions of the redeemable units change such that they no longer comply with the criteria for classification as equity in AASB 132, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Redeemable units can be put back to the Trust at any time for cash equal to a proportionate share of the Trust's net asset value.

Where the Trust re-purchases its redeemable units, the consideration paid, including any directly attributable incremental costs are deducted from equity attributable to the Trust's unitholders until the units are cancelled, reissued or disposed of. Where such units are subsequently sold or re-issued, any consideration received, net of any incremental transaction costs directly attributable are included in equity attributable to the Trust unitholders.

The consideration received or paid for units is based on the value of the Trust's net assets value per redeemable unit at the date of the transaction. In accordance with the provisions of the Trust Constitution, investment positions are valued based on the last traded market price, net of transaction costs, for the purpose of determining the Trust's net asset value for unit pricing purposes. The Trust's net asset value per unit is calculated by dividing the Trust's net assets by the total number of outstanding units.

(b) Operational Risk Reserve

AASB101(117)
AASB101(79)(b) Superannuation Prudential Standard 114: *Operational Risk Financial Requirement,* (SPS114), requires Registered Superannuation Entity (RSE) licensees to maintain adequate financial resources to address losses arising from operational risks that may affect such entities within their business operations. The Fund's operational risk reserve has been established for this purpose.

As a minimum the fund aims to have a target amount equal to 25 basis points of assets under management subject to a predetermined tolerance limit. The tolerance limit is set by the Trustee to reduce the need for small transfers to the operational risk reserve for immaterial fluctuations in the reserve's value. The reserve is fully funded at 30 June 2019.

The operational risk reserve may only be used to make a payment to address an operational risk event as defined by SPS 114.

When the amount falls below the tolerance limit additional funds are transferred into the operational risk reserve. Any transfers to the operational risk reserve must be approved by the board.

(c) Income tax

AASB112(46)
AASB112(5) The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

AASB112(46) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Trust generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

AASB112(15),(24),(47) Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

AASB112(24),(34) Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

AASB112(39),(44) Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

AASB112(71),(74) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

AASB112(58)
AASB112(61A) Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Summary of significant accounting policies

1. Units are classified as equity and the accounting policy note for redeemable units reflects this classification.
2. PSTs are tax paying entities. Therefore, the accounting policy for income tax has been disclosed in accordance with the requirements of AASB 101 *Presentation of Financial Statements* to enable an understanding of the financial statements.
3. For further details of other accounting policies that should be included within the summary of significant accounting policies refer to note 2 of VALUE ACCOUNTS Unit Trust, and its associated commentary.

(aa) Unitholders' funds[1-4]

Movements in the number of units and unitholders' funds during the year were as follows:

	30 June 2020 Number	30 June 2019 Number	**30 June 2020 $'000**	30 June 2019 $'000
AASB101(136A)(a) Opening balance	**241,107,603**	190,207,020	**264,048**	215,260
Applications	**267,104,092**	158,578,695	**218,665**	156,764
Redemptions	**(307,526,919)**	(107,678,112)	**(328,623)**	(157,500)
Transfers to operational risk reserve (note dd)			**(125)**	(400)
Net profit	**-**	-	**44,435**	49,524
Closing balance	**200,684,776**	241,107,603	**198,400**	263,648
Applications	**267,104,092**	158,578,695	**218,665**	156,764
Redemptions	**(307,526,919)**	(107,678,112)	**(328,623)**	(153,900)
Unitholders' funds	**-**	-	**44,435**	49,524
Closing balance	**200,684,776**	241,107,603	**198,525**	264,048

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust. The Trust is not obliged to make distributions.

Capital risk management

AASB101(134)(136)
AASB101(136A)(b)-(d) The Trust considers its unitholders' funds as capital. The amount of unitholders' funds can change significantly on a daily basis as the Trust is subject to daily applications and redemptions at the discretion of unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a daily basis by the Trustee. Under the terms of the Trust Deed, the Trustee 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.

Unitholders' funds

1. VALUE ACCOUNTS Pooled Superannuation Trust's units can be redeemed by holders for cash at any point in time. As a result, it meets the definition of a financial liability. However, AASB 132 provides an exception for puttable financial instruments.
2. If an entity meets certain criteria outlined in AASB 132, the units can be presented as equity within the balance sheet.

AASB132(16A-F)

3. To qualify for equity classification as a puttable financial instrument, the instrument must comply with all of the following:
   (a) It must be in the most subordinated class of instruments, and all instruments in that class must have identical features. Preference shares do not meet this requirement and therefore continue to be classified as liabilities. In the event of liquidation, the holder must receive a pro rata share of the entity's remaining assets once the liabilities are repaid.
   (b) Total cash flows of the instrument over its life must be substantially based on the performance of the entity, either with reference to its profits or losses, or its net assets.
   (c) No other instrument should share in the performance of the entity in a similar way, and the puttable instrument's return should not be fixed or restricted by another instrument.
   (d) A puttable instrument should not (apart from the put feature) have any contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities under potentially unfavourable conditions, or that will or may be settled in a variable number of the entities own equity instruments (relates puttable instruments only).

   As VALUE ACCOUNTS Pooled Superannuation Trust has only one class of units and no contractual obligation to pay distributions the units are equity in accordance with the criteria outlined above.

AASB101(136A)

4. For puttable financial instruments classified as equity the entity shall disclose:
   (a) summary quantitative data about the amount classified as equity
   (b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period
   (c) the expected cash outflow on redemption or repurchase of that class of financial instruments, and
   (d) information about how the expected cash outflows on redemption or repurchase were determined.

(bb) Income tax expense[1-4]

The Trust has received certification from the Australia Prudential Authority (APRA) confirming that it is a complying superannuation entity and this has not since been revoked. Income tax is assessable at 15%, except for capital gains on certain assets held for at least twelve months where an effective tax rate of 10% applies.

		Year ended	
		30 June 2020	30 June 2019
		$'000	$'000
AASB112(79) (81)(g)(ii)	**(a) Income tax expense**		
AASB112(80)(a)	Current tax	**7,301**	4,470
AASB112(80)(c)	Deferred tax	**(471)**	3,266
AASB112(80)(b)	Adjustments for current tax of prior periods	**92**	291
		6,922	8,027
AASB112(81)(g)(ii)	Deferred income tax (income)/expense included in income tax expense comprises:		
	Decrease/(increase) in deferred tax assets	**-**	-
	(Decrease)/increase in deferred tax liabilities	**(471)**	3,266
		(471)	3,266
AASB112(81)(c)(i), (84),(85)	**(b) Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit before income tax	**51,357**	57,551
AASB112(81)(d)	Tax at the applicable Australian tax rate of 15% (2019 - 15%)	**7,704**	8,633
	Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
	Imputation credits	**(25)**	(107)
	Foreign tax credits	**(26)**	(344)
	Non assessable capital gains	**(692)**	(143)
	Difference in overseas tax rates	**(56)**	(62)
	Other	**(75)**	(21)
		6,830	7,956
	Adjustments for current tax of prior periods	**92**	71
	Income tax expense	**6,922**	8,027

Income tax expense

General requirement

AASB112(80)

1. AASB 112 *Income Taxes* requires separate disclosure of the major components of tax expense (income). These may include:
   (a) current tax expense (income)
   (b) any adjustments recognised in the period for current tax of prior periods
   (c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences
   (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes
   (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense
   (f) the amount of the benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense
   (g) deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with AASB 112(56)
   (h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss accounted for retrospectively.

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Pooled Superannuation Trust.

General

2. The following disclosures are not illustrated because they are not applicable to VALUE ACCOUNTS Pooled Superannuation Trust:

AASB112(81)(d)
   (a) an explanation of changes in the applicable tax rate(s) compared to the previous reporting period

AASB112(81)(e)
   (b) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised in the balance sheet

AASB112(81)(i)
   (c) the amount of income tax consequences of dividends to shareholders of the entity that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements

AASB112(82)
   (d) where utilisation of a deferred tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences and the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates, it must disclose the amount of the deferred tax asset and the nature of evidence supporting its recognition

AASB112(82A)(87A)-(87C)
   (e) where the amount of income tax payable varies depending on the amount of profit or retained earnings that is paid as dividends to shareholders of the entity, an entity must disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. In addition, the entity must disclose the amounts of the potential income tax consequences practicably determinable and whether there are potential income tax consequences not practicably determinable

AASB112(81)(e)
   (f) if the entity had unused tax losses for which no deferred tax asset had been recognised, this must be disclosed along with the potential tax benefit.

Contingent liabilities and contingent assets

AASB112(88)

3. Contingent liabilities and contingent assets may arise, for example, from unresolved disputes with the taxation authorities. An entity discloses any such tax-related contingent liabilities and assets in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Similarly, where changes in tax rates or tax laws are enacted or announced after the reporting period, an entity discloses any significant effect of those changes on its current and deferred tax assets and liabilities in accordance with AASB 110 *Events after the Reporting Period*.

Alternative reconciliation of tax expense

AASB112(81)(c)(ii)

4. Entities can also provide a reconciliation between the average effective tax rate and the applicable tax rate. This would replace the reconciliation of income tax expense to prima facie tax payable.

(cc) Deferred tax liability[1]

	Year ended 30 June 2020 $'000	30 June 2019 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	**2,875**	3,346
Net deferred tax liabilities	**2,875**	3,346
Movements:		
Opening balance at 1 July	**3,346**	2,455
Charged/(credited) to the statement of comprehensive income	**(471)**	891
Closing balance at 30 June	**2,875**	3,346

Deferred tax liability

Setting off of deferred tax assets and liabilities

AASB112(74)

1. Deferred tax assets and liabilities shall be set off if, and only if:
   (a) there is a legally recognised right to set off current tax assets and liabilities, and
   (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:
      (i) the same taxable entity, or
      (ii) different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(dd) Operational risk reserve[1-8]

		Year ended 30 June 2020 $'000	30 June 2019 $'000
AASB101(106)(d)	**Opening Balance**	**400**	100
	Plus: Transfer to/(from) unitholders' funds	**125**	300
	Closing balance	**525**	400

SPS114 14(a),15
AASB101(79)(b)

In accordance with Superannuation Prudential Standard 114: Operational Risk Financial Requirement (ORFR), financial resources to meet the ORFR target amount may be held as an operational risk reserve within the Trust. The standard requires the operational risk reserve to be separately identifiable from member accounts and provide an unrestricted commitment of financial resources to address losses arising from operational risks in a timely manner. Refer to accounting policy 2(b) for more information.

Operational Risk Reserve

1. The disclosure above does not illustrate the allocation of any investment earnings to the reserve or payments from the reserve required to remediate an operational risk event.
2. As mentioned in the introduction to this publication Superannuation Prudential Standard 114: Operational Risk Financial Requirement which became effective 1 July 2013, requires Registered Superannuation Entity (RSE) licensees to determine a target amount of financial resources to address the operational risks of the RSE licensee's business operations.

SPS114 8

3. This amount must reflect the size, business mix and complexity of the RSE licensee's business operations and, at a minimum, include the cost of addressing the operational risks identified in the Trustee's risk management framework. Additionally, the target amount must be approved by the Board.
4. The key requirements of this Prudential Standard include that an RSE licensee must:
   (a) have a documented strategy that sets out the RSE licensee's approach to determining, implementing, managing and maintaining the ORFR target amount;
   (b) have suitable policies and procedures to manage the financial resources held to meet the ORFR target amount;
   (c) determine a tolerance limit below the ORFR target amount that, if financial resources held to meet the ORFR target amount were to breach this limit, would require the RSE licensee to notify APRA and implement a replenishment plan; and
   (d) ensure that the financial resources held to meet the ORFR target amount are only used to address an operational risk event or to ensure that the ORFR target amount remains at an appropriate level.
5. The financial resources held to meet the ORFR target amount must be held either as:
   (a) an operational risk reserve held within an RSE;

SPS 114 14

   (b) operational risk trustee capital held by the RSE licensee; or
   (c) a combination of both an operational risk reserve held within an RSE and operational risk trustee capital held by the RSE licensee.
6. In SPS 114 APRA recommend a minimum of 25 basis points of assets under management to be held in the reserve.
7. An RSE licensee must build the financial resources to meet the ORFR within three years of 1 July 2013 on a basis that is fair with regard to the interests of beneficiaries.

SPS 114 28

8. The reserve may then only be used to make a payment to address an operational risk event. For the purposes of this Prudential Standard, an 'operational risk event' is an operational risk that has:

SPS 114 17,7

   (a) materialised; and
   (b) caused one or more beneficiaries in an RSE to sustain a loss, or to be deprived of a gain to which they otherwise would have been entitled, in relation to their benefits in that RSE.

Trustee's statement[1-3]

In the opinion of the Trustee:

(a) the financial statements and notes set out on pages 25 to 121 are drawn up so as to present fairly the financial position of VALUE ACCOUNTS Pooled Superannuation Trust as at 30 June 2020, the results of its operations, changes in equity and its cash flows for the financial year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements,

(b) the financial statements are prepared in accordance with the requirements of the Trust Deed dated 15 June 2001, as amended, and the Superannuation Industry (Supervision) Act 1993 and Regulations, and

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

This statement is made in accordance with a resolution of the directors of the trustee company, Trustee Ltd.

A director [3]

B director [3]

Sydney

14 September 2020

Trustee's statement

Format of Trustee's statement

1. There is no prescribed format for the Trustee's statement unless prescribed by the PST's governing rules. The Trustee's statement illustrated above is included by way of example.

Requirements of trust deed

2. The Trust Deed may contain specific requirements for the preparation of financial statements. If the Trust Deed has no such requirement, the reference to the Trust Deed in paragraph (b) of the statement may be omitted.

Signing

3. It is common industry practice for the declaration to be signed by two directors of the trustee company.

Independent auditor's report to the members of VALUE ACCOUNTS Pooled Superannuation Trust

The audit report will be provided by the entity's auditor upon completion of the audit of the financial report. As the wording of the report may differ in certain aspects from firm to firm, we have not included an illustrative report in this publication.

Independent audit report
Form and content of audit report 1. Further guidance on the preparation of audit reports on general purpose financial reports is given in Auditing Standard AUS702 *The Audit Report on a General Purpose Financial Report*.

Appendices

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Appendix A Financial reporting framework

This Appendix summarises the requirements relevant to the preparation of financial reports in Australia. It covers the following topics:

(a) Financial reporting requirements under the Corporations Act 2001

(b) Accounting standards, interpretations and conceptual framework

(c) Differential reporting framework

(d) The reporting entity concept

(e) Disclosing entities

(f) Companies limited by guarantee

(g) Registered charities

(h) Reporting relief for companies undertaking crowd-sourced equity funding

(i) Entity-specific disclosures

(j) Pro-forma financial information in the financial report

(k) Consolidated financial statements

(l) Stapled securities and dual listed company arrangements

(m) Reporting requirements for non-reporting entities

(n) Financial years

(o) Rounding of financial information

(p) Disclosure of indemnities and insurance of officers and auditors

(a) Financial reporting requirements under the *Corporations Act 2001*

CA296,297

1. The *Corporations Act 2001* (the Act) requirements for the preparation and audit of annual financial reports by various kinds of entities are summarised in the flowchart in Appendix B. Financial reports required under the Act must comply with the accounting standards and give a true and fair view of the entity's financial position and performance. The annual reporting deadlines for disclosing entities, other public and proprietary companies and registered schemes are summarised in Appendix C.

CA295(1)

2. A financial report consists of:
   (a) financial statements for the year that are required by accounting standards, being a:

AASB101(10)

      (i) statement of financial position (balance sheet)
      (ii) statement of profit or loss and other comprehensive income (or separate statement of profit or loss and statement of comprehensive income)
      (iii) statement of changes in equity, and
      (iv) statement of cash flows
   (b) notes to the financial statements, and
   (c) directors' declaration.

CA295(2)

3. Following changes made to the Act in June 2010 companies have to prepare either of the following – but no longer both together:
   (a) financial statements in relation to a single entity (if there are no subsidiaries), or
   (b) if required under the accounting standards, consolidated financial statements.

   Instead of a complete set of financial statements for the parent entity, the consolidated financial statements have to include key financial information for the parent entity, as illustrated in note 27 of the VALUE ACCOUNTS Holdings Limited annual report.

ASIC10/654

4. As a result of these changes, the side-by-side inclusion of consolidated and parent entity financial statements is legally no longer required or permitted. However, if a parent entity wishes to continue presenting its separate financial statements together with the consolidated financial statements, it can do so under class order 10/654 provided by the Australian Securities and Investments Commission (ASIC). The class order is particularly needed by entities with an Australian Financial Services Licence (AFSL) and entities regulated by the Australian Prudential Regulation Authority, as they must continue presenting separate financial statements for the parent entity in addition to the consolidated financial statements. The class order is open ended and does not have any special conditions (e.g. there is no need to mention the application of the class order in the notes).

ASIC2015/839

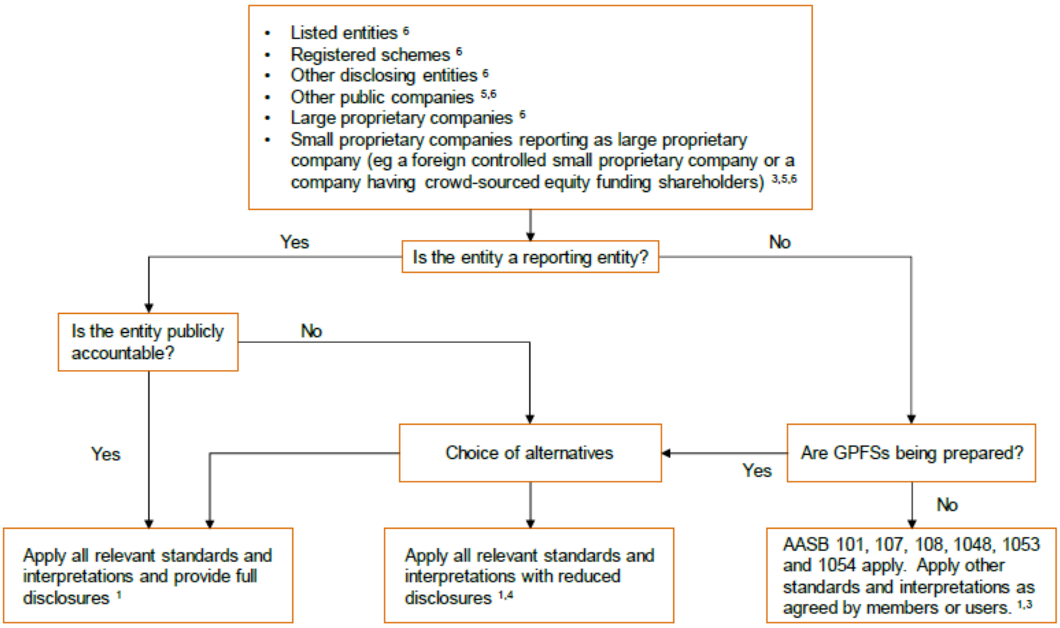
5. Similarly, ASIC has also permitted related registered schemes to include their financial statements in adjacent columns in a single financial report provided they have a common responsible entity or responsible entities that are wholly beneficially owned by the same entity. Please refer to the legislative instrument for further conditions that must be satisfied.

6. Where the financial reports must comply with Australian accounting standards, entities may have up to three different options:

   (a) prepare general purpose financial statements (GPFS) with full disclosures
   (b) prepare GPFS with reduced disclosures – only available if the entity does not have public accountability (see paragraphs 24 – 27 below), or
   (c) prepare special purpose financial statements (SPFS) – only available if the entity is not a reporting entity (see paragraphs 37 - 42 below).

   This is further explained in the graph on the next page and in the subsequent discussion.

7. The following graph summarises the reporting framework for the preparation of statutory financial reports. [2]



1. If the financial statements, as prepared in accordance with the *Corporations Act 2001*, the *Corporations Regulations 2001* and accounting standards, would not otherwise give a true and fair view of the financial position and performance of the entity, additional information must be provided to ensure that a true and fair view is given.
2. If an entity prepares non-statutory GPFSs, all relevant standards and interpretations should be applied, but the entity may choose to apply the reduced disclosure regime as outlined in paragraphs 22 to 30 below.
3. AASB 101, AASB 107, AASB 108, AASB 1048, AASB 1053 and AASB 1054 apply to entities that are required to prepare financial reports under Chapter 2M of the Act. Refer to paragraphs 69 – 83 of this Appendix for comments on the reporting requirements for non-reporting entities preparing special purpose financial statements, including references to the ASIC guide Reporting requirements for non-reporting entities. If small proprietary companies are requested to prepare financial reports by ASIC or members with at least 5% of voting rights, they do not have to be prepared in accordance with relevant accounting standards, including those mentioned above, where this is specified in the request (ie special purpose financial statements can be prepared if the request specifies the extent to which relevant accounting standards are to be applied, subject to comments in paragraphs 69 – 83 on non-reporting entities).
4. Entities that prepare general purpose financial statements and that are not publicly accountable can elect to apply the reduced disclosure regime, see paragraph 22 to 30 below.
5. Small companies limited by guarantee do not need to prepare or lodge any financial reports unless they are directed to do so by members or ASIC, see paragraph 48 below. Certain audit exemptions may exist for public and small proprietary companies undertaking crowd-sourced equity funding, see paragraph 50 below.
6. For an explanation of the different types of entities refer to Page 162.

(b) Accounting standards, interpretations and conceptual framework

CA296,CA297

8. All entities reporting under the Act must prepare their financial statements in accordance with the accounting standards issued by the Australian Accounting Standards Board (AASB). If the financial report, as prepared in accordance with the Act, the *Corporations Regulations 2001* (the Regulations) and accounting standards, would not otherwise give a true and fair view of the financial position and performance of the entity, additional information must be provided to ensure that a true and fair view is given. However, most accounting standards only apply to reporting entities and financial statements that are, or are held out to be, general purpose financial statements (GPFSs). This is referred to as the 'reporting entity concept' and is explained further in paragraphs 31 and 37 to 42 below.

9. Subject to the reduced disclosure regime described in paragraph 22 below, the accounting standards for for-profit entities are consistent with International Financial Reporting Standards (IFRS). However, there are some additional disclosure requirements in AASB 1054 *Australian Additional Disclosures* and a couple of standards and interpretations on issues that are not dealt with under IFRS, being, for example, general and life insurance contracts and Petroleum Resource Rent Tax. These will be withdrawn if a particular issue is subsequently addressed by the IASB or the IFRS Interpretations Committee. Australian accounting standards also have specific provisions added for not-for-profit and public sector entities which may not always be compliant with IFRS.

CA334(5)

10. Individual accounting standards specify their application date. However, an entity may elect to apply a standard earlier than its application date unless the standard says otherwise. An entity required to prepare financial reports under Part 2M.3 of the Act can only adopt an AASB standard early where the directors make a written election in accordance with CA 334(5).

ASIC-Act225,227

11. The AASB is responsible for accounting standard setting for all entities, including companies, public sector entities and not-for-profit entities. The Financial Reporting Council oversees the accounting standard setting process for both the private and public sectors. Some of the Council's main functions in this area are:
    (a) to provide broad oversight of the processes for setting accounting standards in Australia
    (b) appointing the members of the AASB (other than the Chair)
    (c) approving and monitoring the AASB's priorities, business plan, budgets and staffing arrangements
    (d) determining the AASB's broad strategic direction and giving it directions, advice and feedback
    (e) monitoring the development of international accounting standards and furthering the development of a single set of accounting standards for world wide use.

Accounting standards and materiality

AASB101(7)

12. Accounting standards apply where information resulting from their application is material. Information is material if omitting, misstating or obscuring it has could reasonably be expected to influence the decisions of primary users taken on the basis of the financial statements. Primary users include existing and potential investors, lenders and other creditors that cannot require reporting entities to provide information directly to them.

Framework (QC11)
RCF(2.11)

13. In deciding whether an item or an aggregate of items is material, the size and nature of the omission or misstatement of the items usually need to be evaluated together. In particular circumstances, either the nature or the amount of an item or an aggregate of items could be the determining factor. Further discussion of materiality is set out in the *Framework for the Preparation and Presentation of Financial Statements* and the *Conceptual Framework for Financial Reporting* (see paragraphs 17-19 for further information on the two frameworks).

Accounting interpretations

AASB Interpretations Model

14. Accounting interpretations are issued by the AASB under the AASB *Interpretations Model* (*December 2007*). Issue proposals are assessed by the AASB. Issues relating to interpreting Australian equivalents to IFRS are in the first instance forwarded to the IFRS Interpretations Committee (IFRS IC) for consideration. If the IFRS IC does not add the issue to its work program, or if the issue proposal relates to domestic requirements that relate only to not-for-profit entities in the public and/or private sectors, the AASB may decide to form an advisory panel on a topic-by-topic basis. The role of the panel is to prepare alternative views and provide recommendations for consideration by the AASB. However, the AASB expects that unique domestic interpretations of Australian Accounting Standards will only be required in rare and exceptional circumstances.

15. Until June 2006, guidance on urgent financial reporting issues not dealt with, or not dealt with specifically in accounting standards was provided by the UIG. Consensus views were communicated in UIG Interpretations that were prepared by the UIG and issued by the AASB.

AASB1048(9)

16. Compliance with AASB and UIG interpretations is mandatory by virtue of paragraph 9 of AASB 1048 *Interpretation and Application of Standards*.

Framework

Framework(1)

17. *The Framework for the Preparation and Presentation of Financial Statements (Framework)* was issued by the AASB as part of Australia's convergence with IFRS. The *Framework* sets out the concepts that underlie the preparation and presentation of financial statements for external users. The purpose of the *Framework* is to:
    (a) assist the AASB in the development of future accounting standards and in its review of existing accounting standards, including evaluating proposed IASB pronouncements
    (b) assist the AASB in promoting harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements by providing a basis for reducing the number of alternative accounting treatments permitted by accounting standards
    (c) assist preparers of financial statements in applying accounting standards and in dealing with topics that have yet to form the subject of an accounting standard
    (d) assist auditors in forming an opinion as to whether financial statements conform with accounting standards
    (e) assist users of financial statements in interpreting the information contained in financial statements prepared in conformity with accounting standards
    (f) provide those who are interested in the work of the AASB with information about its approach to the formulation of accounting standards.

Framework (2),(3)

18. The *Framework* is not an accounting standard and hence does not define standards for any particular measurement or disclosure issue. Nothing in the *Framework* overrides any specific accounting standard. In a limited number of cases there may be a conflict between the *Framework* and an accounting standard. In those cases where there is a conflict, the requirements of the accounting standard prevail over those of the *Framework*. As, however, the AASB will be guided by the *Framework* in the development of future standards and in its review of existing standards, the number of cases of conflict between the *Framework* and accounting standards will diminish through time.

AASB108 (11)(b)

19. Entities shall refer to the *Framework* as a source of guidance in developing and applying an accounting policy if there is no accounting standard or interpretation dealing with an accounting issue. The Australian material also includes specific guidance for not-for-profit entities.

In 2018, the IASB released a revised conceptual framework which introduces a definition of 'reporting entity' that is different to the definition of reporting entity currently used in the Australian accounting standards. Instead of focusing on the existence of users of the financial statements, the revised conceptual framework defines a reporting entity as '... an entity that is required, or chooses, to prepare financial statements.' This means all entities that are required to prepare financial statements (e.g under a Law or Regulation) are 'reporting entities' under the IASB's definition and must prepare general purpose financial statements.

RCF
AASB 2020-2

To allow Australian companies to remain IFRS compliant, the AASB needs to adopt the IASB's definition. However, as this means entities would no longer be able to self-assess whether they are reporting entities and therefore what type of financial statements (general purpose or special purpose) they should prepare, the AASB has is adopting the IASB's revised conceptual framework in two steps. Publicly accountable for-profit entities and other entities that voluntarily comply with IFRS would adopt the revised conceptual framework from 1 January 2020. Other for-profit private sector entities that are required to lodge financial statements with ASIC or are otherwise required to comply with the accounting standards are proposed to follow from 2021. Paragraph 23 below explains what this means for non-reporting entities. Not-for-profit private sector entities and public sector entities will not be affected by these proposals, as the AASB has a separate project to revise the reporting frameworks for these entities, which is still ongoing.

Statements of Accounting Concepts

Framework (Aus1.4)

20. Since December 2013, the Statements of Accounting Concepts are now all superseded with the exception of SAC 1 *Definition of the Reporting Entity.* SAC 1 remains in existence and forms part of the overall conceptual framework for general purpose financial reporting in Australia.

APES205(4.1)

21. While compliance with SACs in the preparation, presentation or audit of general purpose financial statements as such is not mandatory for members of the Accounting Bodies, members must take all reasonable steps to apply the principles and guidance in the SAC1 and the *Framework* when assessing whether an entity is a reporting entity.

(c) Differential reporting framework for general purpose financial statements

AASB1053(7-9)

22. In June 2010, the AASB introduced a two-tier differential reporting regime which applies to all entities that prepare GPFSs:

AASB1053(11)

(a) Tier 1 is IFRS as adopted in Australia, including standards specific to Australian entities. For-profit entities that are publicly accountable (see paragraphs 24 to 27 below) will continue to apply the current versions of the Australian Accounting Standards without changes.

(b) Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of IFRS, but with reduced disclosure requirements for many entities. For-profit entities that do not have public accountability can elect to apply this tier.

ITC39

23. At this stage, the reporting entity concept (see paragraphs 31 and 37 to 42 below) has not been affected by the reduced disclosure regime. However, following the release of the IASB's revised conceptual framework in 2018 (see paragraph 19 above), the AASB issued an exposure draft proposing to remove for-profit private sector entities' ability to lodge special purpose financial statements (SPFS) with ASIC and other regulators. There will still be a two-tier reporting framework, but entities will no longer be able to opt out of standards by self-assessing as non-reporting entities. Tier 1 will continue to be fully IFRS compliant and mandatory for all entities with public accountability. All other entities will be tier 2.

ED297

To lessen the impact from the removal of SPFS, the AASB has developed a proposed new 'simplified' disclosure standard which would replace the current reduced disclosure requirements. The new standard is expected to result in less disclosures than required under the reduced disclosure regime, providing relief for entities already preparing GPFS that comply with the reduced disclosures. However, entities that are currently preparing SPFS will likely have to step up their disclosures.

ED295

AASB1053 (Appendix-A)

Public accountability

24. Public accountability means accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs.

AASB1053 (Appendix-A)

25. A for-profit private sector entity has public accountability if:

(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or

(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

AASB1053(Appendix-A)

26. The following for-profit entities are deemed to have public accountability:

(a) disclosing entities (see 43 below), even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market

IFRS-for-SMEs(1.4)
IFRS-for-SMEs(BC57)

(b) co-operatives that issue debentures

(c) registered managed investment schemes

(d) superannuation plans regulated by the Australian Prudential Regulation Authority (APRA) other than Small APRA Funds as defined by APRA Superannuation Circular No. II.E.1 *Regulation of Small APRA Funds,* December 2000, and

(e) authorised deposit-taking institutions

27. Not all entities that hold assets in a fiduciary capacity for a broad group of outsiders are publicly accountable. If the assets are held merely for reasons incidental to the entity's primary business, the definition of public accountability would not be satisfied. Examples of such entities may include travel or real estate agents, schools, charitable organisations, co-operative enterprises and utility companies. An entity only has public accountability under the second leg of the definition if the holding of assets in a fiduciary capacity is one of the entity's primary businesses.

Not-for profit and public sector entities

AASB1053(11),(13),(15)

28. The Australian Government and all of the State, Territory and Local Governments must continue to apply the tier 1 requirements for their whole-of-government and general government sector financial reports. All other public sector entities and all not-for-profit private sector entities are

permitted to use tier 2 and provide reduced disclosures, unless a relevant regulator requires compliance with tier 1.

AASB101 (RDR15.1), (RDR16.1)

IFRS compliance

29. Because of the reduced disclosures, entities applying tier 2 reporting requirements **will not** be able to state compliance with IFRSs. Instead, entities will have to make an explicit and unreserved statement of compliance with Australian Accounting Standards – Reduced Disclosure Requirements where they comply with all requirements of the reduced disclosure regime.

Further information

30. For more detailed information about the reduced disclosure regime and an illustration of the types of disclosures that can be removed if an entity is eligible to report under tier 2 please refer to our VALUE ACCOUNTS Reduced Disclosure Pty Limited publication. This publication is available from our web site at http://www.pwc.com.au/assurance/ifrs.

(d) Reporting entity concept and general purpose financial statements

AASB1054(2)

31. AASB accounting standards generally only apply to reporting entities and financial statements that are, or are held out to be, GPFSs. However, AASB 101 *Presentation of Financial* Statements*, AASB 107 Statement of Cash Flows, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 1048 Interpretation and Application of Standards and AASB 1054 Australian Additional Disclosures* all apply to each entity that is required to prepare financial reports in accordance with Chapter 2M of the Act. As a result, these standards must be applied when preparing statutory financial reports for all:
    (a) public companies
    (b) large proprietary companies
    (c) small proprietary companies required to comply with the large proprietary company reporting requirements (eg certain foreign controlled small proprietary companies or companies with crowd-sourced equity funding shareholders, see paragraph 54 below)

    1057(18)

    (d) registered schemes

    even if they are not reporting entities. AASB 1053 *Application of Tiers of Australian Accounting Standards* also applies to these entities.

Small proprietary companies

CA293,294

32. Small proprietary companies requested to prepare financial reports by ASIC or members holding at least 5% of the voting rights will not need to apply the above standards if the requests specify that the reports do not have to comply with them.

CA45A(2)

33. A proprietary company is a small proprietary company for a financial year if at least two of the following conditions are satisfied:
    (a) consolidated revenue is less than $50 million
    (b) consolidated gross assets at the end of the year are less than $25 million
    (c) the company and the entities it controls have fewer than 100 employees at the end of the financial year.

    The size thresholds were doubled for financial years commencing on or after 1 July 2019. For earlier financial years, they were $25 million revenue, $12.5 million assets and 50 employees.

CA45A(6)

34. Consolidated revenue and consolidated assets must be calculated in accordance with accounting standards in force at the relevant time even if the standards do not otherwise apply, eg because the company is not a reporting entity. The consolidation must include the parent entity and any entities it controls under the principles in AASB 10 *Consolidated Financial Statements,* but excludes any controlling entity or sister entities.

CA45A(5)

35. Employees are to be counted on a full-time equivalent basis as at the end of the financial year. Part-time employees are counted as an appropriate fraction of a full-time equivalent. Seasonal or casual employees are only included if they were employed on the last day of the financial year.

36. There is no definition of 'employees' in the *Corporations Act 2001* so the common law must be relied on for guidance. The most commonly applied criterion is the presence of a right of control by the employer over the manner in which an employee works.

Reporting entities

SAC1(40) AASB101 (Aus7.2)

37. Reporting entities are defined in SAC 1 *Definition of the Reporting Entity* as ''all entities (including economic entities) in respect of which it is reasonable to expect the existence of users dependent

AASB1053 (Appendix-A) on general purpose financial statements for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources''.

AASB101(7) 38. General purpose financial statements are defined in AASB 101 as ''those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs''.

SAC1(19)-(22) 39. Guidance on determining whether an entity is a reporting or non-reporting entity is set out in SAC 1. The primary factors outlined in SAC 1 include:

(a) the level of separation of management and ownership
(b) economic or political importance/influence; for example, dominant market position, and
(c) financial characteristics such as size and indebtedness.

ASIC-RG85 40. ASIC has issued a guide Reporting requirements for non-reporting entities in which it expresses concern that some companies which are required to prepare financial reports under the Act prepare special purpose financial statements on the basis they are not reporting entities where this may not be the case.

41. ASIC will look closely at cases where entities claim to be non-reporting entities and will seek explanations from directors where it appears reasonable to expect that there are users dependent on general purpose financial statements. An entity should not be regarded as a non-reporting entity solely because there is little or no separation between its members and management. If the company has a significant number of creditors or employees, ASIC believes it would be reasonable to expect the existence of users dependent on general purpose financial statements. Directors should bear this in mind when deciding whether or not an entity is a reporting entity.

CA296 42. Directors of an entity that identifies itself as a non-reporting entity under the AASB's current conceptual framework and elects not to adopt the requirements of all accounting standards would be in breach of the requirement to comply with accounting standards contained in CA 296 if the circumstances of the entity indicate it is a reporting entity. See paragraph 23 above for the AASB's proposal to remove entities' ability to self-assess as non-reporting entities.

(e) Disclosing entities

CA111AC CA111AD 43. A body is a disclosing entity if it has issued ED (short for 'enhanced disclosure') securities. Disclosing entities include:

CA111AE (a) entities that are listed on a prescribed financial market (limited to Australian markets)
CA111AF (b) entities that issue securities (other than debentures and managed investment products) pursuant to a disclosure document, and after such an issue, and at all times since the issue, at least 100 persons held securities in the relevant class
CA111AFA (c) entities that issue managed investment products under a Product Disclosure Statement, if at least 100 persons hold such products
CA111AG(1) (d) entities that issue securities (other than debentures) as consideration for offers under an off-market takeover bid, and after such an issue, and at all times since the issue, at least 100 persons held securities in the relevant class
CA111AG(2) (e) entities whose securities are issued under a compromise or scheme of arrangement, and after such an issue, and at all times since the issue, at least 100 persons held securities in the relevant class
CA111AI (f) borrowers required to appoint a trustee under CA 283AA.

44. By their very nature, all disclosing entities are reporting entities and therefore have to prepare general purpose financial statements.

Modifications to disclosing entity provisions

45. Modifications to the disclosing entity provisions have been made as follows:

(a) the following securities have been declared not to be ED securities:
CR1.2A.01(a) (i) listed securities of an entity classified as an exempt foreign entity under ASX Listing Rule 1.11 (known as an ASX Foreign Exempt Listing)
CR1.2A.01(b) (ii) securities quoted on the Australian Bloodstock Exchange Limited
(b) the following entities have been exempted from the disclosing entity provisions:
CR1.2A.02 (i) foreign companies issuing securities under foreign takeover offers or schemes of arrangement (where the requirements of CR 1.2A.02 are met)

CR1.2A.03

(ii) foreign companies offering shares for issue or sale to Australian employees under an employee share scheme in respect of which a disclosure document is lodged with ASIC.

Disclosing entities which cease to be disclosing entities before deadline

ASIC2016/190
ASIC-RG68(49),(50)

46. *ASIC Corporations (Disclosing Entities) Instrument 2016/190* applies to entities which cease to be disclosing entities after the end of a financial year but before the earlier of:
    (a) 3 months after the end of the financial year, and
    (b) if the entity is required to have an annual general meeting (AGM), 21 days before the date of the next AGM after the end of the financial year.

ASIC2016/190
ASIC-RG68(49),(50)

47. The instrument provides relief from the full-year financial reporting requirements of Chapter 2M of the Act to the extent that those requirements apply to the entity as a disclosing entity, on condition that:
    (a) the entity complies with the requirements of Chapter 2M as if it had not been a disclosing entity at the end of the financial year, and
    (b) the directors of the entity resolve before the earlier of the dates in paragraph 46 that there are no reasons to believe that the entity may become a disclosing entity before the end of the next financial year.

(f) Companies limited by guarantee

48. Companies limited by guarantee are subject to a three-tiered differential reporting framework:

CA45B CA292(3) CA294A CA294B	(a) Companies with revenue less than $250,000 that are not *deductible gift recipients* within the meaning of the *Income Tax Assessment Act 1997*	do not need to prepare or lodge any financial reports, unless they are directed to do so by members or ASIC
CA301(3)	(b) Companies with revenue less than $250,000 that are *deductible gift recipients*, and Companies with revenue more than $250,000 but less than $1 million	need to prepare and lodge a full financial report, but can choose to have that report reviewed rather than audited
	(c) Companies with revenue of $1 million or more	must lodge an audited financial report

CA45B(c)(ii)

Where the company is required by the accounting standards to be included in consolidated financial statements, the above threshold amounts are those of the consolidated entity. This means that the size test may be applied at the level of a parent entity that sits above the entity in question.

Companies that are registered charities (see below) are exempt from complying with the financial reporting requirements of the Act and must instead comply with the requirements in the *Australian Charities and Not-for-Profit Commission (ACNC) Act 2012.*

(g) Registered charities

ACNC(60-10),(60-20),(60-25),(205-25)

49. Charities that are registered with the Australian Charities and Not-for-Profit Commission (ACNC) have a similar three-tiered reporting framework:

(a) Small charities with annual revenue of less than $250,000	do not need to prepare a financial report, but must lodge an annual information statement (AIS)
(b) Medium charities with annual revenue of $250,000 or more but less than $1 million that are not basic religious charities	must prepare and lodge full financial report and an AIS but can choose to have financial report reviewed rather than audited.
(c) Large charities with annual revenue of $1 million or more that are not basic religious charities	must lodge an audited financial report and an AIS.

ACNC(60-5)

All registered charities must prepare and lodge an annual information statement (AIS). The content of the AIS is also depending on the size of the charity. Both AIS and financial report (where required) must be lodged no later than 31 December, unless the ACNC Commissioner has approved a substituted accounting period or has otherwise deferred lodgement. For further information see the ACNC web site (acnc.gov.au).

(h) Reporting relief for companies undertaking crowd-sourced equity funding

50. Public companies that are undertaking crowd sourced equity funding (CSF) will be temporarily exempt from the requirements to:

CA250N(5),(6) (a) hold an annual general meeting (AGM)

CA301(5); CA327A(1A) (b) appoint an auditor and have their financial reports audited, and

CA314(1AF) (c) distribute hard copies or electronic copies of annual reports to shareholders.

CA738ZI 51. To qualify for the exemptions, the company must be newly registered as a public company on or after 29 September 2017 and before 19 October 2018, or a proprietary company that converted to a public company within this period. In addition, the company must:

(a) intend to make a CSF offer within the next 12 months after registration or conversion
(b) be eligible to make such an offer under Part 6D.3A of the Corporations Act 2001
(c) successfully complete a CSF offer within 12 months after registration or conversion, and
(d) not make other offers of its shares that require a prospectus or other disclosure document since it started accessing the concessions.

CA738ZI; CA301(5) 52. The temporary concessions will cease to apply at the earlier of five years from the date of registration, or conversion, or when the entity no longer meets all of the requirements set out above. To be eligible for the audit concession, the entity must meet the above requirements and have raised less than $3 million from all CSF offers. CA738ZI; CA301(5) If the entity exceeds that limit, it will need to appoint an auditor, but will remain eligible for the AGM and annual report exemptions provided it continues to satisfy the other requirements.

53. The *Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018*, which was passed in September 2018, extends the CSF regime to proprietary companies without the need for those companies to convert to a public company. Proprietary companies can apply the new rules from 19 October 2018, being 28 days after the Act received Royal Assent. Public companies incorporated or converted from proprietary companies after that date will no longer be eligible for the above relief, but grandfathering exists for companies that were incorporated or converted prior to that date.

54. A proprietary company wishing to raise funds through the CSF regime:

CA201A(1) (a) must have at least two directors and a majority of the directors must ordinarily reside in Australia

CA113(2)(c),(d) (b) may have more than 50 shareholders, as long as the excess shareholders are employee or CSF shareholders

CA292(2)(c)
CA301(2)
CA325(w) (c) must prepare an annual financial report and directors report and lodge this with ASIC, even if it is a small proprietary company, and

(d) does not need to appoint an auditor and have the financial report audited if it is a small proprietary company and the funds raised from all CSF offers are less than $3 million.

(i) Entity-specific disclosures

55. Certain accounting standards are applicable only to specified classes of entities:

AASB8(2) (a) AASB 8 *Operating Segments* – applies only to listed entities and entities that file, or are in the process of filing, their financial statements with a regulator for the purpose of issuing financial instruments in a public market

AASB133(2) (b) AASB 133 *Earnings per Share* – applies to entities required to prepare financial reports in accordance with Part 2M.3 of the Act that:

(i) are reporting entities and have listed ordinary shares or are in the process of listing if they have ordinary shares, or

(ii) elect to disclose earnings per share

AASB1057(9)
AASB1057(10) (c) AASB 134 *Interim Financial Reporting* – applies to all general purpose interim financial reports, including half-year financial reports of each disclosing entity required to be prepared under Part 2M.3 of the Act

AASB1057(12) (d) AASB 1038 *Life Insurance Contracts* – applies only to life insurers or to parent entities in groups that include a life insurer

AASB1057(20) (e) AASB 1056 *Superannuation Entities* – applies to general purpose financial statements of superannuation entities.

AASB1057(11) (f) AASB 1004 *Contributions* – applies to general purpose financial statements of local governments, government departments, other government controlled not-for-profit entities and whole of governments

AASB1057(14) (g) AASB 1049 *Whole of Government and General Government Sector Financial Reporting* – applies to each government's whole of government general purpose financial statements and GGS financial statements

AASB1057(15) (h) AASB 1050 *Administered Items* – applies to government departments

AASB1057(16) (i) AASB 1051 *Land Under Roads* – applies to local governments, government departments, whole of governments and financial statements of GGSs

AASB1057(17) (j) AASB 1052 *Disaggregated Disclosures* – applies to local governments and government departments

AASB1057(19) (k) AASB 1055 *Budgetary Reporting* – applies to each government's whole-of government general purpose financial statements, GGS financial statements and general purpose financial statements of not-for-profit reporting entities within the GGS.

AASB1057 (20A) (l) AASB 1058 Income of Not-for-Profit Entities – applies to not-for-profit entities for financial years commencing on or after 1 January 2019

AASB1059(1) (m) AASB 1059 Service Concession Arrangements: Grantors – applies to public sector entities for financial years commencing on or after 1 January 2020.

Corporations Act relief

CA111AT,340,341
ASIC-RG43
ASIC-RG51
ASIC-RG95

56. ASIC may grant relief from certain of the financial reporting and audit requirements of the Act under CA 340 or CA 341, and disclosing entity relief may be provided under CA 111AT. Regulatory Guide 43 sets out ASIC's policy on applications for relief under CA 340 and CA 341 and indicates how it will exercise its discretionary power in granting relief. Policy relating to the granting of relief under CA 111AT is set out in Regulatory Guide 95. Further discussion of ASIC's policies and procedures on the processing of applications for relief is set out in Regulatory Guide 51.

(j) Pro-forma financial information in the financial report

ASIC-CP69
ASIC-RG230

57. In July 2005, ASIC issued a consultative paper *Disclosing pro forma financial information* which explains under which circumstances an entity is permitted to include pro-forma financial information, being information that is not specifically required to be disclosed and/or that is not prepared in accordance with relevant accounting standards, in its statutory financial report. According to the paper, pro-forma financial information may be included in the notes to the financial statements if the additional information is necessary to give a true and fair view of the financial position and financial performance of the entity for the reporting period. Where pro-forma information is included, it must not be misleading and not be presented with greater prominence than the statutory information. Pro-forma financial statements, being financial statements that purport or appear to be, for example, a balance sheet, statement of profit or loss or statement of cash flows but have not been prepared in accordance with statutory financial reporting requirements, must not be included in a financial report. Similar views are expressed in ASIC's Regulatory Guide RG 230 *Disclosing non-IFRS financial information.*

58. ASIC may grant special relief from these requirements, however, it is expected that this will only occur in rare and exceptional circumstances. One example of where relief has been granted relates to the disclosure of pro forma information for a business combination which occurred after the reporting period. See the commentary to note 19 in VALUE ACCOUNTS Holdings publication for further information.

(k) Consolidated financial statements

CA295(2)(b)
AASB10(4)
(Aus4.2)

59. A parent entity must prepare consolidated financial statements in accordance with AASB 10 *Consolidated Financial Statements* if:

– it is a reporting entity itself, or
– the group of which it is the parent entity is a reporting entity

AASB10(Appendix A) 60. A parent entity is an entity that controls one or more entities (subsidiaries). An investor controls another entity, and therefore is a parent entity, where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power of the investee.

AASB10(Appendix A), (B86) 61. Consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. They combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries and offset the carrying amount of the parent's investment in each subsidiary with the parent's portion of equity of each subsidiary. Intragroup balances, transactions, income and expenses are eliminated in full.

CA323

62. If an entity is required to prepare consolidated financial statements, a director or officer of a subsidiary must give the parent entity all information requested that is necessary to prepare the consolidated financial statements and the notes to those statements.

63. Relief from preparing consolidated financial statements is only available where:
   - the impact of consolidation is not material (see paragraphs 12 and 13 above)
   - AASB10(4),(Aus4.2) the parent is an intermediate parent and the conditions in AASB 10 paragraphs 4 and Aus4.2 are satisfied (see paragraphs 60 and 61 below), or
   - ASIC2016/785 the parent entity is relieved from preparing financial reports under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 because it is a wholly-owned subsidiary company which has entered into a deed of cross guarantee with its holding company.

64. The preparation of consolidated financial reports by non-reporting entities is discussed in paragraphs 79 and 80 below.

Consolidated financial statements of intermediate parents

65. A parent entity does not need to present consolidated financial statements if (and only if):

AASB10(4)

   (a) the parent is an intermediate parent and the owners do not object to the parent not preparing consolidated financial statements
   (b) the parent's debt or equity instruments are not publicly traded
   (c) the parent has not filed, or is not in the process of filing, its financial statements with a regulatory body for the purpose of issuing any class of instruments in a public market, and
   (d) the ultimate parent or an intermediate parent produces consolidated financial statements for public use that comply with IFRS.

AASB10 (Aus4.2)

However, the ultimate Australian parent must also present consolidated financial statements if either the parent and/or the group are reporting entities.

AASB10(Aus4.1),(AG1)

66. Not-for-profit entities or entities reporting under the reduced disclosure regime can also apply this relief, provided the entity seeking relief is subject to the same reporting requirements as the parent and is not required to produce full IFRS compliant financial statements. Please refer to the table in the Application Guidance to AASB 10 for details.

(l) Stapled securities and dual listed company arrangements

AASB3(43)(c)

67. The following transactions are business combinations that are achieved by contract alone:
   - the stapling of equity securities of two or more legal entities, such that the securities cannot traded or transferred independently and those entities have the same owners, and
   - dual-listed company (DLC) arrangements between two listed legal entities in which their activities are managed under contractual arrangements as a single economic entity while retaining their separate legal identities.

AASB3(43)(c), (44)

68. AASB 3 *Business Combinations* specifically includes business combinations that are achieved by contract alone in its scope. One of the combining entities must therefore be identified as the parent entity. This parent entity will prepare consolidated financial statements in accordance with the general principles in AASB 3 and AASB 10 *Consolidated Financial Statements*. Accordingly, the identifiable assets, liabilities and contingent liabilities of the acquired entity (entities) must be recognised at their fair value. However, they will be attributed to non-controlling interest. Goodwill will only be recognised where the entity elects to measure the non-controlling interest at fair value. Where the non-controlling interest is measured at the proportionate share of the net assets, no goodwill arises

69. On transition to AASB 10 from AASB 127 *Consolidated and Separate Financial Statements*, some expressed concern that the new control definition in AASB 10 could prevent stapled entities from preparing consolidated financial statements, despite them falling within the scope of AASB 3. In May 2014, the IFRS Interpretations Committee confirmed that this was not the case. The combining entity in the stapling arrangement that is identified as the acquirer for the purpose of AASB 3 must prepare consolidated financial statements of the combined entity in accordance with AASB 10.

ASIC13/1050
ASIC13/1644

70. In the meantime, ASIC had issued Class Order 13/1050 *Financial reporting by stapled entities* (amended by CO 13/1644) which preserves the status quo for existing stapled groups, as summarised in the table below, including the transitional relief for pre-IFRS staplings. The class order requires some minor additional disclosures to be provided in the financial statements of stapled groups.

ASIC2015/838

71. In addition to the consolidated financial statements for the stapled group as a whole, each individual stapled entity that is required to prepare financial reports under Chapter 2M of the *Corporations Act 2001* must also prepare individual financial statements that cover the entity itself and any subsidiaries controlled by that entity. To ease the reporting burden, ASIC has issued *ASIC Corporations (Stapled Group Reports) Instrument* 2015/838 (formerly class Order 05/642 *Combining financial reports of stapled security issuers)* which permits issuers of stapled securities to present their financial statements and the consolidated or combined financial statements of the stapled group in adjacent columns in one financial report. The instrument also allows directors' reports and directors' declarations to cover more than one stapled issuer provided the directors are the same for all of the entities.

ASIC-RG29

72. ASIC Regulatory Guide 29 *Financial reporting by Australian entities in dual listed company arrangements* sets out the financial reporting requirements for entities in DLC arrangements, including what type of information must be lodged and distributed to members.

73. As a result of various transitional relief and Class Order 13/1050, financial reports of stapled entities and DLCs are prepared on different bases, depending on when the stapling was formed or the DLC arrangement was entered into. The following table summarises the different methods that applied at different times. This explains, for example, why not all stapled groups will show non-controlling interests for their stapled entities.

	When stapling was formed or DLC arrangement entered into	**Requirements**
AASB3(43)(c), (44)	After AASB 3 (revised) became effective – 1 July 2009	Entities are required to identify an acquirer under AASB 3 and prepare consolidated financial statements under AASB 10. Identifiable assets, liabilities and contingent liabilities of the acquired entity (entities) must be recognised at their fair value. However, they are attributed to non-controlling interest. Goodwill is only recognised where the entity elects to measure the non-controlling interest at fair value. Where the non-controlling interest is measured at the proportionate share of the net assets, no goodwill arises.
AASB-I1002	After adoption of IFRS (1 January 2005) but before AASB 3 (revised) became effective	Business combinations that are achieved by contract alone were excluded from the scope of AASB 3. Stapled entities were required to identify an acquirer under AASB Interpretation 1002 *Date-of-Transition Stapling Arrangements,* and prepare consolidated financial statements.
UIG1001(16),(17)		The principles of AASB-I 1002 were generally consistent with AASB 3 (revised), except that there was no choice to measure the non-controlling interest at its fair value and hence goodwill could never be recognised. DLC arrangements were required to apply the requirements of AASB 108 to determine an appropriate accounting policy.
AASB1(18),Appendix C UIG1013(7)-(9)	Before transition to IFRS, where the entity has applied the exemptions for business combinations in AASB 1	Entities with stapling arrangements had to identify one of the combining entities as the parent entity on the date of transition to IFRS. This parent entity prepares a consolidated financial report for the stapled entity, but is permitted to do so on the same basis as the combined financial report for those entities immediately before adopting IFRS (ie without applying purchase accounting principles and eliminating the equity of the controlled entities).
UIG1001(6)-(9)		The consolidated financial report of each DLC parent entity shall be the combined financial report of the dual listed entities prepared on the same basis as the combined financial report for those entities immediately before adopting IFRS.

(m) Reporting requirements for non-reporting entities

CA297

74. An entity reporting under Chapter 2M of the Act that is not a reporting entity need not comply with accounting standards other than AASB 101, AASB 107, AASB 108, AASB 1048 and AASB 1054 when preparing statutory financial reports which are special purpose financial statements. The Act, however, still requires that the financial reports give a true and fair view of the financial position and performance of the entity. The comments in paragraphs 70 to 79 below should be borne in mind, especially paragraph 72. These comments summarise ASIC's views as expressed in Regulatory Guide 85 *Reporting requirements for non-reporting entities*, which discusses the

application of accounting standards to non-reporting entities required to prepare financial reports under the Act and of the reporting entity test.

AASB1054(6)

75. Special purpose financial statements are financial statements other than general purpose financial statements. For guidance on determining when an entity may be a non-reporting entity refer to paragraphs 39 to 42 above.

76. Where financial statements are to be prepared for a non-reporting entity as special purpose financial statements, the directors (or their equivalent) must ensure that the shareholders and other potential users of the financial statements:

 (a) understand that the financial statements can only be used for the special purpose for which they are prepared and cannot be used for any other purpose, and
 (b) understand that the auditor, where applicable, will issue a special purpose audit report on the financial statements.

Compliance with recognition and measurement requirements

ASIC-RG85

77. ASIC believes that non-reporting entities, which are required to prepare financial reports in accordance with the Act, must still comply with the recognition and measurement requirements of all applicable accounting standards in order to give a true and fair view of their financial position and results of their operations. Non–compliance with the recognition and measurement requirements may further result in a breach of CA 1308 (giving false and misleading information) and CA 254T (paying dividends).

78. The recognition and measurement requirements of accounting standards include, but are not limited to, requirements relating to depreciation of non–current assets, tax effect accounting, lease accounting, measurement of inventories, and recognition and measurement of liabilities for employee entitlements. The provisions of accounting standards dealing with the classification of items as assets, liabilities, equity, income and expenses also apply. This would include the provisions of AASB 132 *Financial Instruments: Presentation* concerning the classification of financial instruments issued as debt or equity.

Consolidated financial statements

ASIC-RG85
AASB10
(4),(Aus4.1),
(Aus4.2)

79. Consolidation is prima facie also a recognition and measurement requirement. However, ASIC did not consider consolidation necessary for the financial report to give a true and fair view when Regulatory Guide 85 was issued in July 2005. As the guide has neither been withdrawn nor updated, it can still be applied, although in the context of AASB 10. Consolidated financial statements should therefore be prepared if either the parent entity or the group is a reporting entity unless the criteria in AASB 10 paragraph 4 are met (see paragraph 58 above). This is in contrast to RG 85 which states that the sole determining factor is whether the group is a reporting entity.

80. The financial statements of a non-reporting parent entity which does not prepare consolidated financial statements should include a note stating that consolidated financial statements have not been prepared because neither the parent nor the group is a reporting entity. An example of such a note is as follows:

Consolidated financial statements have not been prepared for the company and its subsidiaries because neither the company nor the group is a reporting entity and the directors have decided not to comply with AASB 10 Consolidated Financial Statements. These financial statements should be read in conjunction with the separate financial statements of the subsidiaries listed in note X.

Compliance with disclosure requirements

CA295(3)(c)
CA297

81. Directors of non-reporting entities must also consider carefully the need to make disclosures which are not prescribed by the mandatory accounting standards, but which may be necessary in order for the financial statements to give a true and fair view. If knowledge of the matters is necessary for the financial statements to give a true and fair view, the directors should include the appropriate disclosures in the financial statements. Such disclosures could include significant related party transactions or contingent liabilities.

82. Non-reporting entities that hold out their financial statements to be general purpose financial statements must comply with all relevant requirements of accounting standards and interpretations.

APES205(6)

83. Members of the Accounting Bodies who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's special purpose financial statements are required, except where the statements will be used solely for internal purposes, to take all

reasonable steps to ensure that the special purpose financial statements, and any associated audit, review or compilation report clearly states:

(a) that the financial statements are special purpose financial statements
(b) the purpose for which the financial statements have been prepared, and
(c) the significant accounting policies adopted in the preparation and presentation of the special purpose financial statements.

Reduced disclosure regime and special purpose financial statements

84. Tier 2 of the reduced disclosure regime in AASB 1053 can only be applied by entities that prepare general purpose financial statements. Non-reporting entities that prepare special purpose financial statements will therefore have to comply with all disclosures requirements in AASB 101, AASB 107, AASB 108 and AASB 1054 even if there are some disclosures in these standards that could be omitted by entities reporting under tier 2 of the reduced disclosure regime (eg auditor's remuneration and reconciliation of operating cash flows).

Non-statutory financial reports

85. A small proprietary company that is not a reporting entity and is not required by the Act or ASIC to prepare a financial report has more scope to adopt accounting policies which do not comply with specific recognition or measurement requirements than entities which are required to prepare financial statements which give a 'true and fair view'. Provided such an entity is not subject to some other legislation, agreement or constituent document which requires the preparation of financial statements which give a true and fair view it will not normally need to comply with the Act, AASB or AAS accounting standards or AASB and UIG interpretations if the financial statements are prepared as special purpose financial statements. However, it may choose to do so voluntarily, particularly with the recognition and measurement rules if they are relevant for the specific purpose for which the statements are being prepared. If special purpose financial statements are prepared, the requirements of APES 205 *Conformity with Accounting Standards* described in paragraph 83 above are applicable.

CA293,294

86. Small proprietary companies that prepare financial statements at the request of shareholders or ASIC will need to comply with accounting standards to the extent required by the request.

SAC1
APES205

87. The reporting entity and general purpose financial reporting concepts discussed above in the context of companies are also generally applicable to non-corporate entities in the private and public sectors by virtue of the requirements of SAC 1 and APES 205. The financial statements of many unincorporated joint ventures may be special purpose financial statements.

(n) Financial years

CA323D(1),(2)

88. The first financial year of entities reporting under the Act starts on the day on which the entity is registered or incorporated and lasts for 12 months, or a period not longer than 18 months determined by the directors. Subsequent financial years must be 12 months long plus/minus seven days.

CA323D(2A)(C)

89. Having said that, entities can change their financial year-end at any time, provided the change:

(a) is made in good faith
(b) is in the best interest of the entity, and
(c) the entity has not already changed its financial year in the previous five years.

CA323D(2A)

90. However, a word of caution. If an entity changes its year-end under the new rules, this cannot result in a financial year that is longer than 12 months. For example, if a company intends to move from a June year-end to a December year-end, it will need to do this by having a six month financial year from July 2020 to December 2020 as opposed to an 18 month financial year.

CA323D(4)
ASIC2016/189
ASIC-RG58(45)-(53)

91. Entities are also permitted to change their year-end in order to synchronise it with the year-end of an Australian controlling entity, provided the accounting standards require the preparation of consolidated financial statements and the change is made within 12 months after the change of control occurred. Controlled entities of a foreign parent can apply *ASIC Corporations (Synchronisation of Financial Years) Instrument 2016/189* to change their year-end provided there is a synchronisation requirement in the parent's place of origin.

CA323D(4)
ASIC2016/189
CA250P

92. Entities that change their year-end to synchronise it with the year-end of a controlling entity may still do this by having a financial year up to 18 months in length. Public companies need to keep in mind, though, that they are required to lay the annual report for the financial year before an AGM and to hold an AGM at least once in each calendar year. They may need to apply to ASIC for an extension of time to hold their AGM.

ASIC-INFO17

93. Where an entity has changed its financial year as permitted under the Act or ASIC instrument 2016/189, it needs to notify ASIC of the change in writing. The notification should include the start and end dates of the old and new financial year and the exception under which the entity is changing its financial year.

CA340,342
ASIC-INFO17

94. If everything else fails, entities can also apply to ASIC under section 340 of the Act for individual relief to change their financial year (see paragraph 51 above). However, ASIC can only grant relief if the entity can demonstrate that not changing the year-end, or having to do this by having a shorter financial year would impose unreasonable burdens.

(o) Rounding of financial information

AASB 101 disclosure requirements

AASB101(51)(e)

95. The level of rounding used in presenting amounts in the financial report shall be displayed prominently, and repeated where it is necessary for a proper understanding of the information presented.

Rounding of amounts

ASIC2016/191

96. Financial reports and directors' reports that are prepared and lodged with ASIC under parts 2.M.3 and Part 7.8 of the Act must disclose amounts as they are recorded in the entity's financial records, which will be to the nearest dollars and cents. However, *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* permits amounts to be rounded at least to the nearest dollar, and under certain conditions even further. Subject to certain exclusions and conditions, amounts may be rounded off to the following prescribed amounts ('rounding factors'):

Assets:	Round off to nearest:
Less than $10 million	$1
Greater than $10 million (but less than $1,000m)	$1,000
Greater than $1,000 million (but less than $10,000m)	$100,000
Greater than $10,000 million	$1 million

Alternative rounding factors

ASIC2016/191.5(2)(b)

97. An entity may use alternative rounding factors provided that the alternative factors are:

(a) one-tenth of one cent, one cent, $1, $1,000 or $100,000
(b) less than the permitted rounding factor, and
(c) Consistently applied for all amounts in the financial report or directors' report to which the permitted rounding factor otherwise applied.

98. An example of the application of the above paragraph, is a company with assets in excess of $10,000 million which decides to round off to the nearest $100,000, rather than the also permitted $1 million. In such a case the company must round-off all amounts to the nearest $100,000 (except as stated in paragraphs 95 and 97–99 below). It cannot choose to round some amounts to $100,000 and others to $1 million.

Exclusions

ASIC2016/191.5(2)(e)

99. The ASIC instrument does not permit any amount to be rounded if the rounding has the potential to adversely affect:

(a) decisions about the allocation of scarce resources made by users of the financial report and the directors' report, or
(b) the discharge of accountability by management or the directors of the entity or in relation to the auditors.

Conditions

ASIC2016/191.5,6

100. The following conditions apply:

(a) if the amount is half or less than half the permitted rounding factor it must be shown as 'nil' or the equivalent thereof – except that if the amounts in the financial report (including the consolidated financial statements) and the comparative figures are half or less than half the prescribed amount, the item and the amount may be omitted

(b) comparative amounts must also be rounded

(c) the financial report or directors' report must state that the entity is an entity to which the ASIC instrument applies and that amounts have been rounded off in accordance with the instrument

(d) each page where rounding has occurred must clearly disclose the extent of rounding, and

(e) Where amounts are rounded to the nearest $100,000, they must be presented in the form of millions of dollars and one decimal place representing hundreds of thousands of dollars, with a clear indication that the amounts are presented in millions of dollars.

Items not subject to full rounding

ASIC2016/191

101. The following disclosures must be shown to the nearest dollar by entities with assets (or consolidated assets) of more than $10 million but not more than $1,000 million, and may only be rounded to the nearest $1,000 by entities with assets (or consolidated assets) of more than $1,000 million:

Financial statement disclosures

AASB 2(50)	Share-based payments
AASB 1054(10)	Remuneration of auditors
AASB 124(17)	Compensation of key management personnel
AASB 124(18),(19)	Related party transactions

Directors' report disclosures

CA 300(1)(g),(8),(9)	Indemnification/insurance of officers or auditors
CA 300(11B),(11C)	Non-audit services
CA 300(13)(a)	Fees paid to responsible entity and associates
CA 300A(1)(c),(1)(e)	Remuneration of directors and executives

102. The following directors' report disclosures may only be rounded to the nearest cent:

CA 300(6)(c)	Issue price of unissued shares or interests under option
CA 300(7)(d),(e)	Amounts unpaid, paid, or agreed to be considered as paid, on shares or interests issued as a result of the exercise of an option.

Earnings per share

ASIC2016/191.4

103. Basic and diluted earnings per share to be disclosed under AASB 133(66)–(69) may only be rounded to the nearest one-tenth of a cent.

Illustrative wording

ASIC2016/191.5(2)(f)
AASB101(51)
(e)

104. Suggested wording for the directors' report and financial report where amounts are rounded off to the nearest tenth of a million dollars or million dollars is set out below:

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report (or financial report). Amounts in the directors' report (or financial report) have been rounded off in accordance with the instrument to the nearest tenth of a million dollars (or million dollars), or in certain cases, to the nearest thousand dollars.

Application to other financial reports and financial statements

ASIC2016/191

105. The instrument applies to all financial reports prepared and lodged under chapter 2M.3 of the Act, including half-year and concise reports. In addition, the instrument also permits rounding in profit and loss statements and balance sheets lodged with ASIC by the holder of an AFSL under section 989B of the Act. The same conditions must be satisfied, including the requirement for a clear disclosure of the extent of rounding, and a reference to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

(o) Indemnification and insurance of officers and auditors

CA9,199A,199B, 300(1)(g),(8),(9)

106. The directors' report must disclose information about any indemnification or insurance arrangements that are permitted under CA 199A and 199B of the *Corporations Act 2001*. The provisions cover past and present officers or auditors. An officer is defined in CA 9 to mean:

(a) a director or secretary of the corporation, or
(b) a person:
  (i) who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the corporation, or
  (ii) who has the capacity to affect significantly the corporation's financial standing, or
  (iii) in accordance with whose instructions or wishes the directors of the corporation are accustomed to act (excluding advice given by the person in the proper performance of functions attaching to the person's professional capacity or their business relationship with the directors or the corporation), or
(c) a receiver, or receiver and manager, of the property of the corporation, or
(d) an administrator of the corporation, or
(e) an administrator of a deed of company arrangement executed by the corporation, or
(f) a liquidator of the corporation, or
(g) a trustee or other person administering a compromise or arrangement made between the corporation and someone else.

Insurance

CA199B

107. The disclosure in the VALUE ACCOUNTS Holdings Limited directors' report relates to an insurance arrangement. CA 199B prohibits a company or a related body corporate from insuring an officer or an auditor (whether the premium is paid directly or through an interposed entity) against liabilities (other than for legal costs) arising out of:

CA199B(1)(a) (a) conduct involving a wilful breach of duty in relation to the company, or

CA199B(1)(b) (b) a contravention of CA 182 or 183 (improper use of position or information by individual to gain advantage for self or some other person, or to cause detriment to company).

CA300(1)(g),(8)(b)

108. For insurance arrangements that are not prohibited under CA199B, CA 300(8) requires disclosure of details of any premium paid, or agreed to be paid, for insurance against a current or former officer's or auditor's liability for legal costs.

CA300(9)(a)–(c),(f)

109. Specific disclosures required in relation to insurance arrangements are:

(a) for officers – their name or the class of officer to which they belong or belonged
(b) for auditors – their name
(c) except where prohibited by the insurance contract:
  (i) the nature of the liability, and
  (ii) the amount of the insurance premium.

Indemnities for officers and auditors

CA300(1)(g),(8)(a)

110. The directors' report must disclose details of any indemnity given to a current or former officer or auditor against a liability that is permitted under CA 199A(2) or (3), or any relevant agreement under which an officer or auditor may be given an indemnity of that kind. Generally, the disclosure of an indemnity will mirror the wording of the relevant indemnity in the contract or auditor's engagement letter.

111. CA 199A(2) prohibits a company or a related body corporate from indemnifying an officer or an auditor (whether by agreement or by making a payment and whether directly or through an interposed entity) against any of the following liabilities:

CA199A(2)(a) (a) owed to the company or a related body corporate

CA199A(2)(b) (b) for a pecuniary penalty order under CA 1317G or a compensation order under CA 1317H or CA 1317HA, and

CA199A(2)(c) (c) owed to a third party and which did not arise out of conduct in good faith.

CA199A(2) CA 199A(2) does not apply to a liability for legal costs.

112. CA 199A(3) prohibits a company or a related body corporate from indemnifying an officer or an auditor (whether by agreement or by making a payment and whether directly or through an interposed entity) against legal costs incurred in defending an action if the costs are incurred:

CA199A(3)(a) (a) in defending or resisting proceedings in which the person is found to have a liability for which they could not be indemnified under CA 199A(2)

CA199A(3)(b) (b) in defending or resisting criminal proceedings in which the person is found guilty

CA199A(3)(c) (c) in defending or resisting proceedings brought by ASIC or a liquidator for a court order if the grounds for making the order are found by the court to have been established, or

CA199A(3)(d) (d) in connection with proceedings for relief to the person under the *Corporations Act 2001* in which the court denies the relief.

CA199A(3) 113. CA 199A(3)(c) (paragraph 108(c) above) does not apply to costs incurred in responding to actions taken by ASIC or a liquidator as part of an investigation before commencing proceedings for the court order.

CA300(9)(a)–(e) 114. Specific disclosures required where an indemnity has been given or agreed to be given are:

(a) for officers – their name or the class of officer to which they belong or belonged
(b) for auditors – their name
(c) the nature of the liability
(d) for an indemnity given – the amount the company paid and any other action the company took to indemnify the officer or auditor, and
(e) for an agreement to indemnify – the amount that the agreement requires the company to pay and any other action the relevant agreement requires the company to take to indemnify the officer or auditor.

Other illustrative disclosures

CA300(9)(a)–(e) 115. Following are illustrative examples of disclosures which might be made with respect to an indemnity to comply with CA 300(8). Whether an indemnity requires disclosure and the details required to be disclosed will need to be decided on a case by case basis. Legal advice should be sought if there is any doubt as to the disclosure required to comply with CA 300(8).

Indemnities for officers

CA300(1)(g),(8)(a),(9)(a),(c),(d) During the financial year, VALUE ACCOUNTS Holdings Limited gave the chief executive officer, Mr N T Toddington and the company secretary, Ms S M Smith an indemnity against legal costs incurred in successfully defending proceedings brought against Mr Toddington and Ms Barker, in their capacity as officers of the company under the Fair Trading Act. The amount paid by the company was $20,000.

Agreement to indemnify officers

CA300(1)(g),(8)(a),(9)(a),(c),(e) During the financial year, VALUE ACCOUNTS Holdings Limited agreed to indemnify each director and secretary of the company and of its Australian based subsidiaries against any liability:

(a) to a party other than VALUE ACCOUNTS Holdings Limited or a related body corporate, but only to the extent that the liability arises out of conduct in good faith, and
(b) for legal costs incurred in connection with proceedings for relief to the director or secretary under the *Corporations Act 2001* in which the court grants the relief.

The amount payable under the agreement is the full amount of the liability. No liability has arisen under these indemnities as at the date of this report.

Agreement to indemnify auditor

CA300(1)(g),(8)(a),(9)(b),(c),(e)

During the financial year, VALUE ACCOUNTS Holdings Limited agreed to indemnify Checker & Co, the former auditors of its subsidiary, VALUE IFRS Trading Limited, against:

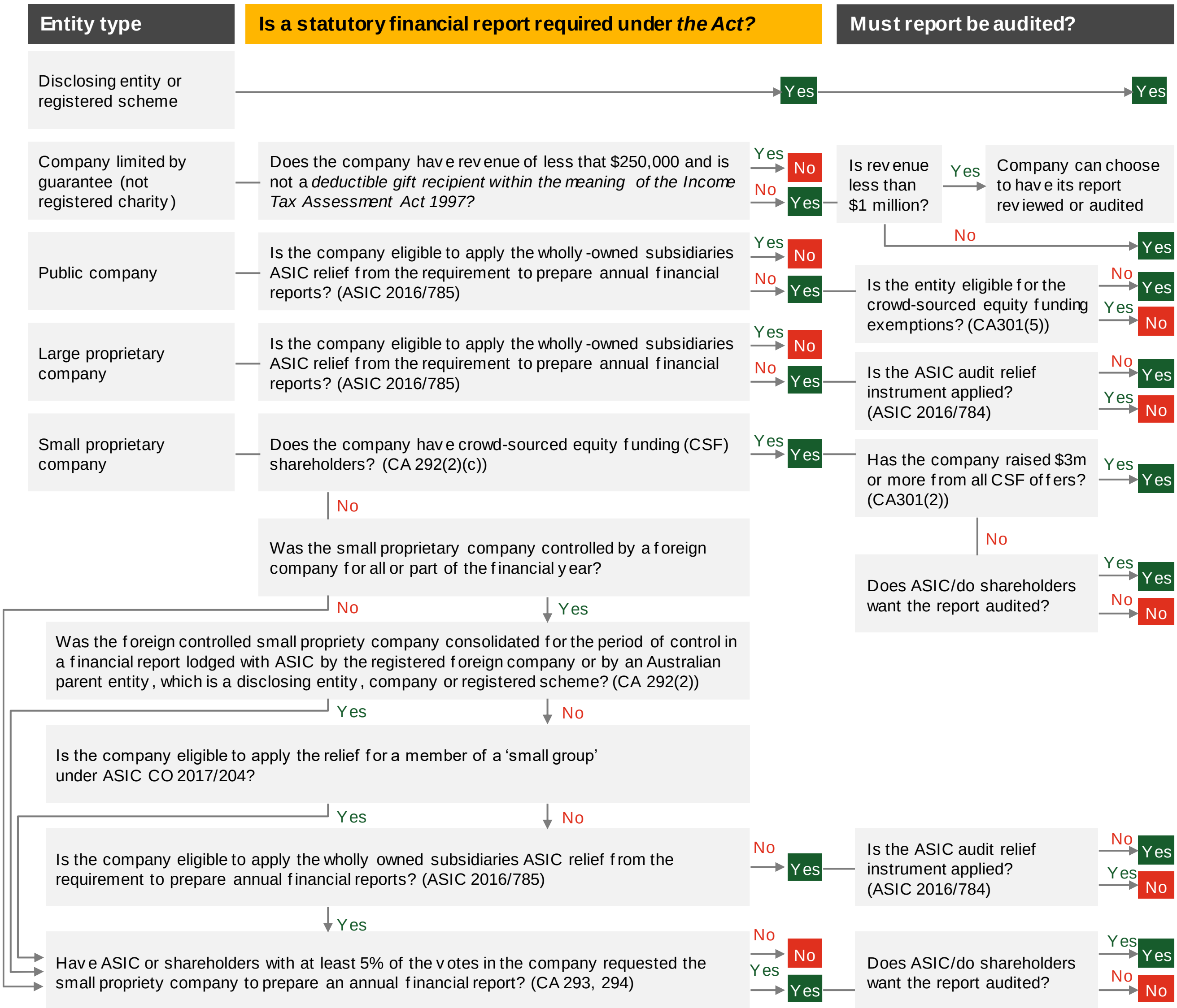
(c) all liabilities (other than liabilities to VALUE ACCOUNTS Holdings Limited, VALUE IFRS Trading Limited or a related body corporate) arising out of their duties as auditor of VALUE IFRS Trading Limited in the period 1 January 2017 up to the date of their resignation on 29 October 2017, but only to the extent that the liability arises out of conduct in good faith

(d) legal costs incurred in defending an action for a liability within the scope of the indemnity referred to in paragraph (a).

The amount payable under the agreement is the full amount of the liability. No liability has arisen under this indemnity as at the date of this report.

Appendix B Preparation and audit of annual statutory financial reports

This flowchart identifies which entities must prepare audited financial reports under Chapter 2M of the Corporations Act 2001 (the Act).



Corporations Act entities

The following table provides a brief summary of the types of entities that are regulated under the *Corporations Act 2001*.

	Type of company	Description
CA45A,112,113,148	Proprietary company	• Can have no more than 50 non-employee shareholders • Must have 'Proprietary' in its name (or Pty) • Normally limited by shares, but can also be unlimited • Name must indicate whether limited ('Limited' or 'Ltd') or unlimited • Financial reporting obligations depend on whether the company is 'large' or 'small', see paragraphs 32 to 36 of Appendix A
CA9,112	Public company	• A company other than a proprietary company • Can be limited by shares, limited by guarantee, no liability (mining companies only) or unlimited • Name must indicate whether the company is a no liability company (NL) or a limited company; an exception exists for companies limited by guarantee which are set up for charitable purposes.
CA9 CA601ED CA601FA CA601FB	Managed investment scheme	A scheme with the following features: • people contribute consideration to acquire rights to benefits produced by the scheme • the contributions are pooled or used in common enterprise, and • the members do not have day-to-day control over the operation of the scheme. Time sharing schemes are also MIS. Other types of entities are, however, specifically excluded, see the definition of MIS in section 9 of the Act. MIS have to be registered if • they have more than 20 members, • they were/are promoted by a person in the business of promoting schemes, or • ASIC determines that there are a number of schemes that are closely related and which, in aggregate, have more than 20 members. Registered MIS must have a responsible entity which is a public company that holds an AFS licence authorising it to operate a scheme. The responsible entity is liable to scheme members for all aspects of the scheme's operation. It can delegate any aspect of operations to a third party (eg a custodian), but it cannot delegate its liability.
CA9 CR1.0.02A	Listed entity (company or registered scheme)	A reference to 'listed' means inclusion in the official list of a prescribed financial market operated in Australia. At present, the following markets are prescribed: • Asia Pacific Exchange Limited • ASX Limited • Chi-X Australia Pty Ltd • National Stock Exchange of Australia Limited • SIM Venture Securities Exchange Ltd.
	Disclosing entity	All listed companies & listed registered schemes are disclosing entities. Other public companies and unlisted registered schemes may also satisfy the definition of a disclosing entity in certain circumstances (see paragraph 43 of Appendix A for details).

Appendix C Annual reporting deadlines

The annual reporting deadlines for managed investment schemes and pooled superannuation trusts are summarised in the following table. 'Annual report' refers to the financial report, directors' declaration and auditor's report. It may also refer to a concise financial report prepared under CA314(2). The deadlines refer to periods after the year end.

	Action	Registered Schemes	Pooled Superannuation Fund
	Sign directors' declaration and report[1]	3 months	
CA319(3)	Lodge annual report with ASIC	3 months[2-3]	
CA315(3)	Send annual report to unitholders	3 months	
SRS 320-9, SRS 330-9	Sign Trustee Statement and Audit Report		3 months
CA1017D(3)	Issue Annual Trustee Report to Members		6 months
	Lodge annual return with APRA		3 months

Directors' declaration and directors' report

CA319(3)

1. There is no specific deadline for signing the directors' declaration and report, but they will need to be signed by the stated deadlines to enable the annual report to be lodged with ASIC on time.

Listed entities

ASX(4.3A)
Listed entities only

2. A listed entity (except a mining or oil and gas exploration entity) must lodge the information set out in Appendix 4E (preliminary final report) with ASX. A responsible entity must give the information to ASX with any necessary adaptation. The information in Appendix 4E must use the same accounting policies as the accounts on which it is based and must comply with all relevant accounting standards. Foreign entities may provide the information in accordance with accounting standards acceptable to the ASX (e.g. International Financial Reporting Standards).

ASX(4.3A)
Listed entities only

3. The information referred to in paragraph 2 above must be given to ASX immediately all of it becomes available, and no later than it lodges any accounts with ASIC or the regulatory bodies in the jurisdiction in which it is established. In any event, Appendix 4E must be lodged with the ASX no later than 2 months after the end of the relevant financial year.

ASX(4.3D)
Listed entities only

4. Once a listed entity is or becomes aware of any circumstances which are likely to affect the results or other information contained in the preliminary final report given to the ASX under Listing Rules 4.3 or 4.3A, the entity must immediately give the ASX an explanation of the circumstances and the effects they are expected to have on the entity's current or future financial performance or financial position. There is no requirement to also include information about the circumstances in the financial statements, but some entities may wish to continue to make this disclosure, as previously required under Listing Rule 4.10.1.

ASX(5.5)
Listed entities only

5. Mining and oil and gas exploration entities are not required to lodge either Appendix 4E or Appendix 4D (half-year reporting). However, they must lodge quarterly reports which show their cash flows, changes in mining tenements and in issued securities with the ASX within one month after the end of the relevant quarter (Appendix 5B). Listed exploration entities must also lodge their annual financial report with the ASX and/or ASIC within the 3 months deadline that applies to all listed entities.

ASX(4.5)
ASIC-RG28
ASIC2016/181
Listed entities only

6. All listed entities that are established in Australia must give the annual report to the ASX when they lodge it with ASIC. They must also give the ASX a copy of any concise report at the same time. Under ASIC Regulatory Guide 28 and *ASIC Corporations (Electronic Lodgement of Financial Reports) Instrument 2016/181*, lodgement with the ASX can also satisfy a listed entity's obligation to lodge documents with ASIC. Special rules apply to entities that are not established in Australia, see ASX Listing Rules 4.5.2 and 4.5.3 for details.

ASX(4.7A)
Listed entities only

7. If an ASX Debt Listing is required to comply with CA 319 (disclosing entities) or CA 601CK (registered foreign companies), it must give ASX a copy of the documents that it lodges with ASIC no later than the time that it lodges them. If it is not required to comply with CA 319 or CA 601CK, it must give to ASX, in English, a copy of any annual accounts that it lodges with the regulatory authorities in the jurisdiction in which it is established within 10 business days of lodging them

ASX(4.7A.1)
Listed entities only

8. If an ASX Debt Issuer was admitted on the basis of a guarantee provided by a parent entity, and the parent entity is required to comply with CA 601CK, the ASX Debt Issuer must give ASX a copy of the documents that the parent entity lodges with ASIC no later than the time that the parent entity lodges them. If the parent entity is not required to comply with CA 601CK, the ASX Debt Issuer must give to ASX, in English, a copy of any annual accounts that the parent entity lodges with the regulatory authorities in the jurisdiction in which it is established, immediately after the parent entity lodges them.

ASX(4.8)
Listed entities only

9. If securities in, or loans or advances to, an unlisted entity are a listed entity's main asset, the listed entity must give the ASX the latest accounts of the unlisted entity, together with any auditor's report or statement when the listed entity gives its annual report and any concise report to the ASX. This is not required if the unlisted entity is included in the listed entity's consolidated financial statements.

Sending annual reports to members

ASX(4.7),(4.7.1)
Listed entities only

10. If the annual report or concise report sent to members of a listed entity under CA 314 contains information additional to that lodged with the ASX/ASIC under Listing Rule 4.5 within 3 months after the year end (e.g. information required under ASX 4.10), it must give the ASX a copy of the report sent to members on the earlier of the first day it sends it to members or the last day for it to be given to members under CA 315 (i.e. 4 months, or 3 months for schemes). If the annual report sent to members does not include additional information/documents to those already lodged, the entity must tell the ASX that this is the case.

Annual general meeting (AGM)

CA250N(4)

11. Registered schemes and proprietary companies are not required to hold AGMs unless specifically required to do so under their Constitution.

Other

12. Unregistered schemes are not captured by the *Corporations Act 2001* and hence have no specific deadline for reporting to unitholders; however the Fund Constitution may contain reporting deadlines.

ASX(4.3B)

13. The deadlines in the table apply to unlisted registered schemes. Listed registered schemes are required to lodge their Appendix 4E with the ASX within 2 months and their annual financial report within three months.

14. There is no requirement for a PST to lodge its annual financial report with APRA. However, a copy of the approved auditor's report is required to be attached to the annual return.

15. Registered schemes that are required to lodge half-year reports with the ASX should do so within two months after the half-year.

Appendix D New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 July 2019 (i.e. years ending 30 June 2020) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 July 2020.

(a) New standards and amendments – applicable 1 July 2019

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 July 2019:

Title	Key requirements	Effective Date *
AASB 16 *Leases*	AASB 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	1 January 2019 Early adoption is permitted only if AASB 15 is adopted at the same time.
Interpretation 23 *Uncertainty over Income Tax Treatments*	The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: • how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty • that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty, and • that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.	1 January 2019

(a) New standards and amendments – applicable 1 July 2020

Title	Key requirements	Effective Date *
AASB 2017-6 *Amendments to Australian Accounting Standards: Prepayment Features with Negative Compensation [AASB 9]*	The narrow-scope amendments made to AASB 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.	1 January 2019
AASB 2017-7 *Amendments to Australian Accounting Standards: Long-term Interests in Associates and Joint Ventures [AASB 128]*	The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128 Investments in Associates and Joint Ventures.	1 January 2019
AASB 2018-1 *Amendments to Australian Accounting Standards: Annual Improvements 2015-2017 Cycle [AASB 3, AASB 11, AASB 112 & AASB 123]*	The following improvements were finalised in December 2017: • AASB 3 *Business Combinations* - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. • AASB 11 *Joint Arrangements* - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. • AASB 112 *Income Tax* - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • AASB 123 *Borrowing Costs* - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.	1 January 2019
AASB 2018-2 *Amendments to Australian Accounting Standards: Plan Amendment, Curtailment or Settlement [AASB 119]*	The amendments to AASB 119 *Employee Benefits* clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • recognise any reduction in a surplus immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income.	1 January 2019
AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors [AASB 15 & AASB 16]* ^	The AASB has expanded the scope of AASB 15 for not-for-profit public sector entities to include non-contractual licences and has provided a recognition exemption for short-term licenses and licenses with a low transaction price. There is also authoritative implementation guidance which • helps distinguishing a licence from a tax • clarifies the types of licenses issued by not-for-profit public sector licensors, and	1 January 2019

(a) New standards and amendments – applicable 1 July 2020

Title	Key requirements	Effective Date *
	• clarifies the application of the principles in AASB 15 to licenses that are not within the scope of other Australian Accounting Standards. The amendments to AASB 16 clarify that licenses that are in substance leases or contain leases, except licenses of intellectual property, fall within the scope of AASB 16.	
AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* ^ AASB 2019-8 *Amendments to Australian Accounting Standards - Class of Right-of-Use Assets arising under Concessionary Leases* ^	The AASB made amendments to AASB 16 Leases, AASB 1049 *Whole-of-Governmet and General Government Sector Financial Reporting* and AASB 1058 *Income of Not-for-Profit Entities* which provide a temporary option for not-for-profit lessees to measure right-of-use assets relating to concessionary leases at cost rather than at fair value. Concessionary leases in this context are leases that have at inception significantly below-market terms and conditions, principally to enable the entity to further its objectives. Entities that have eleceted to measure, at initial recognition, a class (or classes) of right-of-use assets at cost must include additional qualitative and quantitatve disclosures in the financial statements. This is to ensure users understand the effects of these leases on the entity's financial position, financial performance and cash flows. In December 2019, the AASB made further amendments to AASB 16 and to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to specify for not-for-profit entities that right-of-use assets arising under concessionary leases can be treated as a separate class of right-of-use assets for the purpose of AASB 16 and to provide an option for a Whole of Government and General Government Sector entity to measure right-of-use assets arising under concessionary leases at cost or at fair value in subsequent measurements.	1 January 2019
AASB 1058 *Income of Not-for-Profit Entities, AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities* ^	AASB 1058 introduces major changes to the income recognition by public and private sector not-for-profit (NFP) entities. Rather than accounting for all contribution transactions under AASB 1004 *Contributions*, NFPs will now need to determine whether a transaction is a genuine donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15 *Revenue from Contracts with Customers*). Implementation guidance has been added to AASB 15 to assist with this determination. A contract is within the scope of AASB 15 if • the entity has an enforceable contract with a customer, and • the contract includes sufficiently specific promises for the NFP entity to transfer goods or services to the customer or third party beneficiaries. Under AASB 15 income will only be recognised as the obligations under the contract are satisfied, potentially resulting in a deferral of income as compared to the current accounting under AASB 1004. AASB 1058 also introduces new requirements for income recognition in several other types of transactions which don't fall within the scope of AASB, including: • below-market leases • obligations to acquire or construct a specific asset for an entity's own use, and • other transactions such as volunteer services, donated inventories, endowments and bequests. If NFPs account for income under AASB 15, the relevant disclosures will also apply. In addition, AASB 1058 includes	1 January 2019

(a) New standards and amendments – applicable 1 July 2020

Title	Key requirements	Effective Date *
	incremental disclosures for NFPs such as the disaggregation of income. The mandatory application date of AASB 15 has been deferred to 1 January 2019 for NFP entities. If they want to adopt the new revenue recognition rules before that date, they will need to apply AASB 1058 at the same time.	
AASB 2019-6 *Amendments to Australian Accounting Standards - Research Grants and Not-for-Profit Entities* ^	The AASB has deferred the application of AASB !5 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not-for-Profit Entities* by not-for-profit entities to research grants by 6 months from periods beginning on or after 1 January 2019 to periods beginning on or after 1 July 2019. The application of the two standards to other sources of income is not deferred. Deferral for research grants is optional but the election to defer must be made at the entity level. It is not available on an individual research grant basis.	1 July 2019
AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*	The amendments to AASB 140 *Investment Property* explain that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. They also clarify minor points in various accounting standards, including AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*.	1 January 2019 for not-for-profit entities
Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	The interpretation clarifies how to apply the standard on foreign currency transactions, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, when an entity pays or receives consideration in advance for foreign currency-denominated contracts.	1 January 2019 for not-for-profit entities
AASB 2019-4 *Amendments to Australian Accounting Standards - Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements [AASB 1054]* ^	The standard adds a new disclosure requirement to AASB 1054 Australian Additional Disclosures which will apply to • charities that are lodging special purpose financial statements (SPFS) with the Australian Charities and Not-for-Profits Commission, and • not-for-profit entities that are lodging SPFS with ASIC (eg companies limited by guarantee). Affected entities will have to explain • the basis on which the decision to prepare SPFS was made • the extent of compliance with the recognition and measurement requirements in Australian Accounting Standards, and • the application of the consolidation and equity accounting requirements.	Annual periods ending on or after 30 June 2020

* applicable to reporting periods commencing on or after the given date

^ applicable only to not-for-profit and/or public sector entities

(b) Forthcoming requirements

As at 31 January 2020, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 30 June 2020. For more recent information please refer to our web site at www.pwc.com/ifrs.

Title	Key requirements	Effective Date *
AASB 17 *Insurance Contracts*	AASB 17 was issued in July 2017 as replacement for AASB 4 *Insurance Contracts*. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows	1 January 2021 (likely to be extended to 1 January 2022)

(a) New standards and amendments – applicable 1 July 2020

Title	Key requirements	Effective Date *
	• an explicit risk adjustment, and • a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	

(b) Forthcoming requirements

Title	Key requirements	Effective Date *
AASB 1059 *Service Concession Arrangements: Grantors* ^ AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059* ^ AASB 2019-2 *Amendments to Australian Accounting Standards* – Implementation of AASB 1059 [AASB 16 & AASB 1059] ^	The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services. The standard requires the grantor to: • recognise a service concession asset when the grantor controls the asset • reclassify an existing asset as a service concession asset when it meets the criteria for recognition as such an asset • initially measure a service concession asset at current replacement cost and account for it subsequently in accordance with AASB 116 Property Plant and Equipment or AASB 138 Intangible Assets, as appropriate. • recognise a corresponding liability initially at the fair value of the service concession asset, adjusted for any other consideration between the grantor and the operator, and account for the liability using either or both of the financial liability model or grant of a right to the operator model, and • disclose sufficient information to enable users of the financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.	1 January 2020 (deferred from 1 January 2019)
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]*	The IASB has made amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, clarify when information	1 January 2020

(a) New standards and amendments – applicable 1 July 2020

Title	Key requirements	Effective Date *
	is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business [AASB 3]*	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	1 January 2020
Revised *Conceptual Framework for Financial Reporting* AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	The AASB has issued a revised Conceptual Framework which will initially only apply to for-profit private sector entities that have public accountability and are required by legilsation to comply with Australian Aaccounting Standards (AAS), and to other for-profit entities that elect to apply it. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. While no changes have been made to any of the current accounting standards, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from 1 January 2020 if they have public accountability and are required by legislation to comply with AAS. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework. The consequentlial changes made to other standards via AASB 2019-1 are designed to retain the previous Framework for the Preparation and Presnetation of Financial Statements for entities that do not have to apply the revised Framework. See the discussion in paragraph 19 of Appendix A for the AASB's plans on the adoption of the revised Framework for those other entities.	1 January 2020

(a) New standards and amendments – applicable 1 July 2020

Title	Key requirements	Effective Date *
AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform [AASB 7, AASB 9 & AASB 139]*	The amendments modify some specific hedge accounting requirements to provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	1 January 2020
AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia [AASB 1054]*	The standard amends AASB 1054 by adding a new requirement for entities to disclose the potential impact of IFRS Standards (IFRSs) that have not yet been issued by the AASB. This disclosure is necessary for entities that wish to state compliance with IFRS, but not required for entities reporting under tier 2 of the reduced disclosure regime. The disclosure is an extension of the requirement in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions. It applies where there are any international standards or interpretations (or amendments thereof) that have not yet been endorsed by the AASB at the time of the completion of the entities' financial statements.	1 January 2020
AASB 2019-7 *Amendments to Australian Accounting Standards - Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations ^*	The amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* provide optional relief for General Government Sector and whole of government public sector entities from the disclosure of certain key fiscal aggregates.	1 January 2020
AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128* AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	The AASB has made limited scope amendments to AASB 10 *Consolidated financial statements* and AASB 128 *Investments in associates and joint ventures.* The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in AASB 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method. However, the AASB cannot legally issue amendments without an operative date. It has therefore initially deferred the application date to 1 January 2018 and subsequently extended this to 1 January 2022.	1 January 2022 **

* applicable to reporting periods commencing on or after the given date; unless otherwise stated, early adoption is permitted.
^ applicable only to not-for-profit and/or public sector entities.

At the time of writing, the AASB had not yet issued corresponding amendments, but was expected to do so shortly. Early adoption will be permitted once the amendments have been approved by the AASB.

Appendix E Structured Entities

The objective of AASB 12 is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

An interest refers to involvement that exposes the entity to variability of returns from the performance of another entity and includes the means by which an entity has control, joint control or significant influence over another entity and could include the holding of equity or debt instruments. An interest may also include other items such as fee income from the structured entity, funding, liquidity support, credit enhancements or guarantees. (AASB 12 App. A).

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights related to administrative tasks only and the relevant activities are directed by means of contractual arrangements (AASB 12 App.A, App.B21)

A structured entity often has some or all of the following features or attributes:

(a) restricted activities

(b) a narrow and well-defined objective

(c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support

(d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit risk or other risks (tranches) (AASB 12 App. B22).

The objective of this appendix is to provide illustrative guidance to asset management entities when applying the disclosure requirements under AASB 12.

The following are the situations in which entities will need to evaluate additional AASB 12 disclosures;

(a) Funds which invest in other funds – Investment entities

If a fund qualifies for the investment entity exception there are different disclosure requirements in the following situations:

- where an investment entity controls an unconsolidated structured entity (AASB 12 19A-19G)
- where an investment entity has significant influence over a structured entity (AASB 12.21a,23-31) (see comment below re associate disclosures)
- where an investment entity has an interest in but neither controls nor has significant influence over a structured entity (AASB 12.24-31).

(b) Associate disclosures – Investment Managers

If an investment manager manages a fund over which it has significant influence, in which it has an equity investment and if the investment manager currently equity accounts for its investment we would expect them to comply with all of the related associate disclosures in relation to these funds.

For each material associate the disclosures include (but are not limited to):

- name of associate, nature of relationship with associate, the principal place of business of the associate, % ownership interest
- related commitments and contingent liabilities; and
- summarised financial information of the associate.

Illustrative examples

For the purpose of this illustrative we have included the disclosure applicable to VALUE ACCOUNTS Unit Trust within the notes to the financial statements. This appendix provides three additional disclosure examples, covering three distinct situations, which we believe will cover the majority of circumstances in the Australian marketplace. Below we have outlined the key facts and assumptions.

Illustrative example 1 – Investment manager

In this example the investment manager has an interest in its own managed funds by virtue of the following two relationships;

- it has an ownership interest of less than 5% in some of the funds it manages; and
- it earns management fees from the funds.

Both of the above factors individually give rise to an “interest” in the funds. Where an investment manager has an interest in a structured entity the disclosure requirements of AASB 12 relating to structured entities are triggered.

Does the investment manager control the fund?

While the investment manager has the ability to direct the relevant activities of the fund (power) by virtue of an investment management agreement between the investment manager and the fund the investment manager does not have sufficient exposure to variable returns to conclude it controls the fund.

Sponsorship

Due to the fact that the investment manager has established the funds the investment manager “sponsors” the funds. Where the investment manager sponsors a fund in which it does not have an interest there are specific disclosure requirements (AASB 12.27).

In most scenarios an investment manager will have an interest and therefore these disclosures will not be necessary.

Illustrative example 2 – Feeder Fund

Our second example covers a fund (Fund B) which invests directly into Fund C through a Master Feeder Fund structure. The key features in this example are the following:

- Fund B controls Fund C (it owns 100% of Fund C) and has applied the investment entity exception to consolidation
- Fund B only invests into Fund C and does not hold any other investments
- both Fund B and Fund C have been determined to be structured entities.

It is worth noting where a fund is an investment entity which controls all structured entities in which it has an interest, disclosure requirements are greatly reduced which is illustrated by this example.

Illustrative example 3 – Complex Fund

In this example the fund invests in a number of different financial instruments and the key features are the following;

- Fund E meets the definition of an investment entity and has adopted the investment entity exception to consolidation where applicable
- Fund E invests in a number of different financial instruments including structured debt products, credit default swaps as well as related (through common management) and unrelated funds
- Fund E controls some structured entities
- Fund E has significant influence over some structured entities
- Fund E has interests in some structured entities over which it does not have control or significant influence.

It is worth noting that the last three points will all trigger different reporting requirements under AASB 12.

Illustrative example 1

XX Disclosure of interests in other entities (Extract)

(xx) Unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

AASB12(9)(e) The company has significant influence over the funds it manages due its power to participate in the financial and operating policy decisions of the investee through its investment management agreements.

AASB12(26) The company considers all funds to be structured entities. The company invests in its own managed funds for the purpose of capital appreciation and/or to seed the funds to develop a performance track record prior to external investment being received. The company also receives management and performance fees for its role as investment manager.

The funds' objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The funds invest in a number of different financial instruments including equities and debt instruments. The funds' finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

The company holds redeemable units in each of its managed funds.

AASB12(29) The nature and extent of the company's interests in funds is summarised below:

AASB12(29)(a),(b)

		Australian Equity Funds $'000	Global Equity Funds $'000	Global Bond Funds $'000	Total $'000
	At 30 June 2020				
	Current Assets				
	Financial assets	101	76	65	242
	Accrued revenue	2,500	1,300	1,200	5,000
	Total Assets	2,601	1,376	1,265	5,242
AASB12(29)(c),(d)	**Maximum exposure to loss**	2,601	1,376	1,265	5,242
AASB12(26)	**Net Asset Value of Funds**	2,101,567	978,354	675,365	3,754,921
AASB12(26)	**Fund's investment portfolio**	2,123,495	989,097	696,596	3,809,188
	At 30 June 2019				
	Current Assets				
	Financial assets	xx	xx	xx	xx
	Accrued revenue	xx	xx	xx	xx
	Total Assets	xx	xx	xx	xx
	Maximum exposure to loss	xx	xx	xx	xx
	Net Asset Value of Funds	xx	xx	xx	xx
	Fund's investment portfolio	xx	xx	xx	xx

AASB12(29)(c) Unless specified otherwise, the company's maximum exposure to loss is the total of its on-balance sheet positions as at reporting date. There are no additional off balance sheet arrangements which would expose the company to potential loss.

AASB12B26(c) During the year the company earned both management and performance fee income from structured entities. Refer to note x for further information.

AASB12(30) *Financial support provided or to be provided to funds*

AASB12(30)(a) The company provides financial support to the funds it manages in the form of administrative expenses which it incurs and absorbs relating to the funds' activities. In the current year expenses incurred by the company which were directly attributable to activities of the funds it manages were $90,465 (2017:$ x).

AASB12(30(b) Providing support to the funds is a commercial consideration of the company which the company believes to be in its best interests.

XX Disclosure of interests in other entities (Extract)

(xx) Unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

AASB12(19A) The fund controls Fund C but does not consolidate Fund C. Fund C is carried at fair value through profit or loss in accordance with the investment entity exception to consolidation. Please see note xx for further detail.

AASB12(25A)
AASB12(19B) The following table provides information in relation to unconsolidated structured entities which we control:

Name	Principal place of business	Ownership interest	Fair value 000's
Fund C	Sydney, Australia	100% (2019: xx%)	242 (2019: xx)

[Note if Fund C controls another structured entity Fund B (the parent) will also need to provide the disclosures noted in the table above for those entities which Fund C controls.]

[Note if Fund C controls another structured entity Fund B (the parent) will also need to provide the disclosures noted in the table above for those entities which Fund C controls.]

Illustrative example 3

XX Disclosure of interests in other entities (Extract)

(xx) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

Structured entity disclosures – unconsolidated subsidiaries

AASB12(19A) The fund controls two structured entities, both of which are related funds. Both these funds are carried at fair value through profit or loss in accordance with the investment entity exception to consolidation. Please see note X for further detail.

AASB12(25A)
AASB12(19B) The following table provides information in relation to unconsolidated structured entities which we control:

Name	Principal place of business	Ownership interest	Fair value 000's
Fund E	Sydney, Australia	100% (2019:100%)	65,607 (2019:xx)
Fund F	Sydney, Australia	100% (2019:100%)	76,708 (2017:xx)

Structured entity disclosures – associates

AASB12(21)(a)(ii) The fund invests in associates for the purpose of capital appreciation and to earn investment income. The fund is related to associates through common investment managements. They are considered strategic to the funds activities.

All associates are carried at fair value through profit or loss.

AASB12(21)(a)(i),(a)(iii), (a)(iv) The following table provides information in relation to the funds two associates;

Name	Principal place of business	Ownership interest	Fair value 000's
Associate A	Sydney, Australia	24% (2019:24%)	30,495 (2019:xx)
Associate B	Sydney, Australia	21% (2019:21%)	34,905 (2019:xx)

Structured entity disclosures – other investments

AASB12(26)

Related and unrelated fund investments

The fund invests in other funds for the purpose of capital appreciation.

The investee funds' objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The investee funds invest in a number of different financial instruments, including equities and debt instruments. The investee funds' finance their operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets.

The fund holds redeemable shares in each of the investee funds.

The size of a related investee fund is indicated by the net asset value of the fund per the investee funds' balance sheet. For unrelated funds size is indicated by the carrying value of the fund's investment as recognised on the fund's balance sheet as at the reporting date as there is no other exposure to the fund other than the carrying value of its investment.

AASB12(26)

Structured debt investments

The fund invests in structured debt issued by investment grade corporate trusts for the purpose of capital appreciation.

The objectives of the funds which issue the debt are to use the proceeds of the debt issuance to purchase debt instruments which it believes are undervalued in the hope of capital appreciation and earning investment income. The issuing fund finances its operations through issuing debt and redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the Trust's net assets.

When referring to the size of the issuer the fund is referring to the carrying value of the investment as recognised on the fund's balance sheet as at the reporting date.

AASB12B26(d)

Of the debt instruments which the fund invests in $1.234m (2019:$1.234m) (carrying value) relates to a fund which has issued $10.000m in secured and unsecured notes. Of that $100.000m, $40.000m (2019:$40.000m) ranks above the funds $1.234m investment while the remaining balance ranks below.

All other structured debt investments held by the fund rank pari-passu with all other debt issued by the issuer and above the interests of the unitholders in the issuing fund.

AASB12(26)

Credit default swaps

The fund invests in credit default swaps (CDS), A CDS is a derivative financial instrument. The entity receives premiums from other entities by effectively providing insurance over a portfolio of reference entities and related potential credit events. Where a credit event occurs the fund may be required to compensate one or more of the entities it receives premiums from. For the funds maximum exposure see table below.

The objective of the CDS is to provide the fund with a financial return in return for accepting the risk associated with the potential credit events related potential payments that the fund may be required to make.

Size is indicated by the notional exposure to underlying credit risk.

AASB12(29) The nature and extent of the company's interests in unconsolidated structured entities is summarised below:

AASB12(29)(a),(b)

At 30 June 2020	Unit Trusts $'000	Related Equity Funds $'000	Unrelated Equity Funds $'000
Assets	54.		
Associate investments			
• Managed investment schemes	-	65,400	-
Derivative financial instruments			
• CDS	3,000	-	-
Financial assets at fair value through profit or loss			
• Debt securities	6,706	-	-
• Equity securities	-	33,450	10,254
Total on balance sheet exposures	9,706	98,850	10,254
AASB12(29)(c),(d) **Maximum exposure to loss**	12,394	98,850	10,254
AASB12(26) **Indicative size**	12,394	98,850	10,254

At 30 June 2019			
Assets	55.		
Associate investments			
• Managed investment schemes	xx	xx	xx
Derivative financial instruments			
• CDS	xx	xx	xx
Financial assets at fair value through profit or loss			
• Debt securities	xx	xx	xx
• Equity securities	xx	xx	xx
Total on balance sheet exposures	xx	xx	xx
Maximum exposure to loss	xx	xx	xx
Indicative size	xx	xx	xx

AASB12(29)(c) Unless specified otherwise, the company's maximum exposure to loss is the total of its on-balance sheet positions and its exposure due to off-balance sheet arrangements (e.g. CDS credit event payments). There are no additional off balance sheet arrangements which would expose the fund to potential loss.

AASB12B26(b) During the year the fund incurred fair value losses relating to structured entities totalling $4.6m (2019: $xx.xxm)

AASB12B26(c) During the year the fund earned fair value gains and distribution income as a result of its interests in structured entities. Refer to note X for further information.

Appendix F AASB 9 Financial Instruments

AASB 9 *Financial Instruments* amends the previous requirements in three main areas: (a) classification and measurement of financial assets, (b) impairment of financial assets, mainly by introducing a forward looking expected loss impairment model and (c) hedge accounting including removing some of the restrictions on applying hedge accounting in AASB 139.

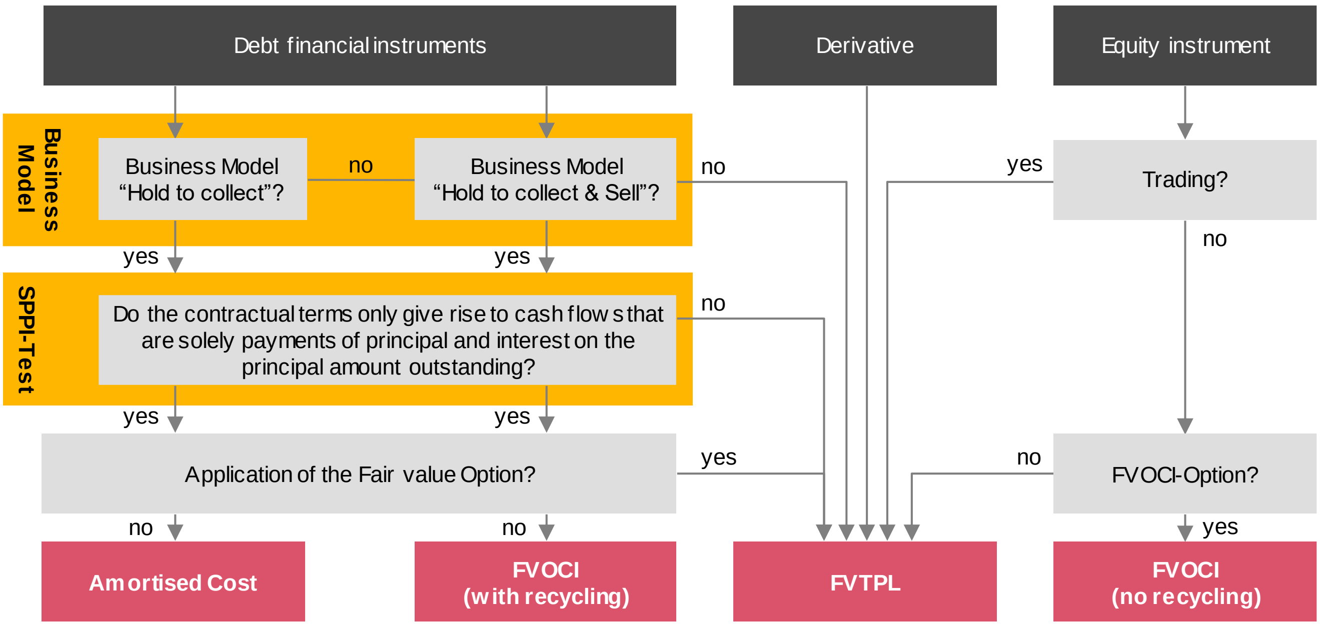
The mandatory date of application was annual reporting periods beginning on or after 1 January 2019.

This appendix summaries the changes to the classification and measurement rules and how these could affect a managed investment fund. For further information on the impact of AASB 9 refer to the VALUE ACCOUNTS Holdings Limited December 2018 and 2019 publications. For illustrative disclosures that are not applicable to the VALUE ACCOUNTS Unit Trust please refer to: https://www.pwc.com.au/assurance/ifrs/assets/ifrs9-for-banks-illustrative-disclosures.pdf

Classification and measurement of financial assets

Under the guidance of AASB 139, VALUE ACCOUNTS Unit Trust classified all financial assets as held for trading or as designated at fair value through profit and loss as of the acquisition date of the asset. Following the adoption of AASB 9, investments in financial assets can now be classified in one of three categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The classification of investments in debt instruments will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Derivative and investments in equity instruments are measured at fair value through profit or loss, unless for equity instruments an irrevocable option is taken to measure them at fair value through other comprehensive income.

The following decision tree summarises the model described in AASB 9 which determines the relevant category for an investment.



SPPI = Solely Payments of Principal & Interest
FVOCI = Fair Value through Other Comprehensive Income
FVPL = Fair Value through Profit & Loss

Financial instruments are recognised initially at fair value, including transaction costs in the case of a financial asset or financial liability not at fair value through profit or loss. [AASB 9 para 5.1.1].

After initial recognition, an entity measures a financial asset either at amortised cost or at its fair value. [AASB 9 para 5.2.1]. A financial asset is measured at fair value through profit or loss (FVTPL), unless it is measured at amortised cost or at fair value through other comprehensive income (FVOCI). [AASB 9 para 4.1.4].

An entity classifies financial assets as subsequently measured at amortised cost, FVOCI or FVTPL on the basis of both:

(a) the entity's business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset. [AASB 9 para 4.1.1].

(a) Business model test

Financial assets are classified based on the objective of the business model as determined by the entity's key management personnel for the respective portfolio [AASB 9 para B4.1.1].

The entity's business model does not depend on management's intention for an individual financial asset. Accordingly, this is not an instrument-by-instrument approach and thus the business model needs to be determined on a higher level of aggregation, which however, does not have to be the reporting entity level [AASB 9 para B4.1.2].

Thus, AASB 9 para B4.1.1(b) requires an entity to classify its financial asset on the basis of its contractual cash flow characteristics if the financial assets are held within the business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, unless the option in AASB 9 para 4.1.5 applies [AASB 9 para B4.1.7].

Refer to the section below for further considerations to determine the business model of a fund.

(b) SPPI test

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. For this purpose, interest is the consideration of:

- the time value of money;
- the credit risk associated with the principal amount outstanding during a particular period of time;
- other basic lending risks and costs; and
- profit margin. [AASB 9 para 4.1.3(b)].

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are those consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. [AASB 9 para B4.1.7A].

A financial asset is measured at amortised cost if both of the following conditions are met:

- the asset is held within a portfolio with a business model whose objective is to hold assets in order to collect the contractual cash flows ('hold to collect' business model); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.[AASB 9 para 4.1.2].

If the financial asset is held within a business model whose objective is achieved by collecting the contractual cash flows as well as selling financial assets ('hold to collect and sell' business model) and the SPPI test is passed, it is measured at FVOCI. [AASB 9 para 4.1.2A].

In all other cases, if the business model is not that of 'hold to collect' or 'hold to collect and sell' or the SPPI test is not passed, the financial asset is accounted for at FVTPL. In addition, a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The entity is primarily focused on fair value information, and it uses that information to assess the assets' performance and to make decisions. Such portfolios must be measured at FVTPL. [AASB 9 para B4.1.6].

If an entity changes its business model for managing financial assets, it reclassifies all financial assets in the portfolio affected. [AASB 9 para 4.4.1]. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). [AASB 9 para 5.6.1, App A]. In all other circumstances, reclassification is not permissible.

At initial recognition, an entity can irrevocably designate a financial asset as measured at FVTPL if this eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). [AASB 9 para 4.1.5]. The fair value option can be applied on an instrument-by-instrument basis.

An entity can make an irrevocable election at initial recognition, for particular investments in equity instruments that would otherwise be measured at FVTPL, to present subsequent changes in fair value in other comprehensive income ('OCI option'). [AASB 9 para 4.1.4]. The term 'equity instrument' is defined in AASB 132 as any contract that evidences a residual interest in the assets of an entity after deducting its liabilities. [AASB 132 para 11].

In particular circumstances, AASB 132 allows for a puttable instrument, or an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity on liquidation, to be classified as equity. [AASB 132 paras 16A and 16B or paras 16C and 16D]. Such instruments do not meet the definition of an equity instrument for the purpose of applying the OCI option. [AASB 9 para BC5.21].

Financial assets are measured subsequently in accordance with the above described classification [AASB 9 paras 4.1.1 to 4.1.5] at either:

(a) amortised cost;

(b) fair value through other comprehensive income (FVOCI); or

(c) fair value through profit or loss (FVTPL). [AASB 9 para 5.2.1].

Financial assets measured at amortised cost or at FVOCI are accounted for using the effective interest rate method. The interest revenue is generally calculated by applying the effective interest rate to the gross carrying amount of a financial asset. A different approach, of applying the effective interest rate to the amortised cost of the financial asset, has to be used:

1. for purchased or originated credit-impaired financial assets, which are credit impaired on initial recognition and require the use of a credit-adjusted effective interest rate; and

(d) for financial assets that have become credit-impaired. [AASB 9 para 5.4.1].

If an entity has no reasonable expectation of recovering the financial asset (partly or entirely), a write-off is recognised and reduces the gross carrying amount. [AASB 9 para 5.4.4].

Gains or losses on financial instruments measured at FVOCI are recognised in other comprehensive income, and they are reclassified to profit and loss when the financial asset is derecognised. Interest income calculated using the effective interest rate method has to be considered directly in profit or loss. [AASB 9 para 5.7.10].

Gains and losses on financial instruments measured at FVTPL are recognised directly in profit or loss. There is no requirement to recognise interest income separately nor to recognise an impairment loss. However, if interest income is calculated, it has to be done by using the effective interest rate method.

At initial recognition, an entity has the irrevocable option to present the subsequent changes of investments in equity instruments, which are not held for trading, in other comprehensive income (FVOCI option). [AASB 9 para 5.7.5]. The amounts presented in other comprehensive income are not reclassified to profit or loss. [AASB 9 para B5.7.5]. However, any dividends from those instruments are to be disclosed in profit and loss. [AASB 9 para 5.7.6]. Dividends are recognised in profit or loss only when:

1. the entity's right to receive payment of the dividend is established;

(e) it is probable that the economic benefits associated with the dividend will flow to the entity; and

(f) the amount of the dividend can be measured reliably. [AASB 9 para 5.7.1A].

Financial Liabilities

A financial liability is initially measured at fair value and subsequently at amortised cost, unless it is either held for trading or designated as at FVTPL. [AASB 9 para 4.2.1]. The classification of a financial liability is irrevocable. [AASB 9 para 4.4.2].

For a financial liability to be designated as at fair value through profit or loss, it is either managed on a portfolio basis and its performance is evaluated on a fair value basis, or its designation would eliminate or reduce an accounting mismatch, or it is a hybrid instrument that contains one or more embedded derivatives. [AASB 9 paras 4.2.2(b) and 4.3.5].

Financial liabilities are measured subsequently in accordance with their classification either at amortised cost or at fair value through profit or loss. [AASB 9 para 5.3.1]. Hence, any gains and losses on a financial liability measured at fair value through profit or loss are recognised in profit or loss, unless they relate to changes in the entity's own credit risk for financial liability designated as at fair value through profit or loss. [AASB 9 para 5.7.1(c)]. The effect of changes in the entity's own credit risk in the fair value of the financial liabilities should be presented in other comprehensive income. [AASB 9 para 5.7.7(a)].

Considerations to determine the business model of a fund

Investment funds manage their investments in different ways and with different objectives, so there is no straightforward answer to the question of whether a fund measures its financial assets at amortised cost or at fair value through other comprehensive income or at fair value through profit or loss.

To determine the business model of a fund, the following areas should be considered:

(a) How does the fund manage its financial assets?
(b) How is the performance of the fund measured?
(c) What does the fund's prospectus say about the management strategy and the risk factors to be considered when investing into the fund?
(d) How does management communicate the achievements of the fund to investors?
(e) What is the measurement basis for the fund units at sale or redemption?
(f) How does the fund meet the redemption requests?
(g) How are the assets currently reported under IAS 39?

Analysis of the criteria to be considered

(a) How does the fund manage its financial assets?

Determining how the fund is managed requires, as a first step, assessment of whether a fund is managed in segregated groups of financial assets (portfolios) or as a whole. Paragraph B4.1.2 of AASB 9 acknowledges that an entity might have more than one business model for managing its financial assets, so a fund might have one portfolio of financial assets that it manages on a fair value basis or to meet the redemption requests, and another portfolio that is managed in order to collect contractual cash flows. However, such portfolios might only exist if they are held in separate portfolios and managed separately, which requires (among other things) that the performance of each portfolio is assessed separately.

The assessment of the business model of an investment fund is based on how the fund is managed. For example, a fund that is actively managed in order to follow a price index, or to exceed a benchmark that is based on a fair value notion, is not managed in order to receive interest and to realise the residual amount on maturity. Such a fund will be required to sell financial assets before maturity on a regular basis in order to track the index.

Funds that draw benefits from market opportunities by selling financial assets are not managed on a 'hold to collect' business model. However, AASB 9 does not prohibit sales, and so management needs to assess the reasons for such sales. If the sales occur in order to realise gains or to minimise losses (other than sales close to maturity of the investments), the fund does not manage its financial assets in order to receive solely payments of principal and interest. However, those sales might still be in line with the business model that considers both collecting contractual cash flows and selling financial assets.

Furthermore, if funds are required, either contractually or due to regulatory provisions, to sell their financial assets in order to prove the liquidity of the fund's asset, they might not manage the respective portfolio in order to solely collect the contractual cash flows.

Funds might use derivative financial instruments for different purposes (such as hedging or to create a synthetic position). Whereas hedging of a portfolio of debt instruments might still be considered as being managed to collect contractual cash flows, funds that use derivatives to build synthetic positions are typically managed on a fair value basis. The same applies to mixed portfolios that include a substantial amount of equity instruments.

(b) How is the performance of the fund measured?

The performance of the fund might be measured against a benchmark that is based on fair value, such as an index provided from a stock exchange. However, even if no benchmark is applied, the fund might be managed on a fair value basis. This might be evident through the information provided to investors or the key management personnel apart from the financial statements. If such information includes a comparison of fair value from year to year, it is likely that the fund is managed on a fair value basis.

(c) What does the fund's prospectus say about the management strategy and the risk factors to be considered when investing into the fund?

An indication of when a fund is managed on a fair value basis rather than on a 'hold to collect' business model might also be drawn from the management strategy described in the fund's prospectus. In addition to that, if a fund highlights market risk as one of the significant risks that an investor in the fund would need to consider, it might be questioned whether the fund is managed on a business model that results in the collection of contractual cash flows.

(d) How does management communicate the achievements of the fund to investors?

If the fund management does not provide investors with fair value information and the respective fair value benchmark information, either as part of the information issued together with the financial statements or apart from that (for example, on the fund manager's internet platform), it is unlikely that the fund is managed on a fair value basis. Thus, to assess the business model of the fund, it might be necessary to assess the information provided to investors in addition to the financial statements; such information might include the publication of the net asset value (NAV) applicable for issuance

Considerations to determine the business model of a fund

and redemption of fund units. However, the disclosure of fair value information alone does not mean that the fund is managed on a fair value basis.

(e) What is the measurement basis for the fund units at sale or redemption?

Where, in accordance with the governing documents, the investments of a fund are fair valued, the NAV applicable for issuance and redemption of fund units is also measured at fair value.

(f) How does the fund meet the redemption requests?

An investment fund that issues redeemable participating shares needs to consider, in addition to the above, whether it can meet the expected and unexpected redemption request by flow of cash. If this is not the case, a fund would need to have a sufficient liquidity buffer in order to be able to apply the 'hold to collect' business model to a portion of the fund.

Management would need to assess the expected and unexpected redemption requests that might occur over time, and whether the fund is able to meet these requests through the contractually received cash flows.

If sales occur in order to meet the expected or unexpected redemption requests, the fund does not manage its financial assets in order to collect contractual cash flows. However, sales to meet exceptional liquidity Constraints such as in a financial crisis, might be acceptable. [AASB 9 para B4.1.3].

If the sales are used to meet the day-to-day liquidity needs rather than day-to-day trading, management might consider the sales to be integral to achieving the objective of the business model of the fund. In that case, the fund might be managed based on a business model that includes both collecting contractual cash flows and selling financial assets.

(g) How are the assets currently measured under AASB 139?

If the assets in the fund are currently measured at FVTPL because, under IAS 39, they were designated as such because they are managed (and performance is measured) on a fair value basis in accordance with a documented risk management or investment strategy, and information about that portfolio is provided internally on that basis to the entity's key management personnel, then absent a change in business model, those assets would remain FVTPL under AASB 9. [AASB 9 para BC4.78].

Application of the Business model assessment to Value Accounts Unit Trust

The objective of the Value Accounts Unit Trust is to achieve long-term capital appreciation and its portfolio is managed on a fair value basis. The Fund therefore applies the business model allowed by AASB 9 paragraph 4.1.4 which requires its portfolio to be classified at fair value through profit or loss. The Fund does not apply hedge accounting.

As the financial assets of the Fund are managed and evaluated on a fair value basis, they have remained classified at fair value through profit or loss ('FVPL') upon adoption of AASB 9. The adoption of AASB 9 therefore has not resulted in any changes to the classification or measurement of financial assets in either the current or prior period.

Appendix G Alternative presentation of primary statements for classification of units as liabilities

The VALUE ACCOUNT Unit Trust financial statements are based on an open-ended fund which issues puttable instruments, which are classified as equity under AASB 132 Financial instruments: Presentation.

This appendix includes example disclosures where the Fund is has classified its puttable shares as liabilities for the period 1 July 2018 to 30 June 2020.

Statement of comprehensive income

			Year ended	
			30 June 2020	30 June 2019
		Notes	**$'000**	$'000
AASB101(82)(a)	**Investment income**			
AASB7(20)(b)	Interest income from financial assets at amortised cost		**90**	49
AASB7(20)(b)	Interest income from financial assets at investments at fair value		**857**	500
AASB9(5.7.1A)	Dividend income		**2,922**	950
AASB9(5.7.1A)	Distribution income		**681**	100
AASB7(20)(a) AASB101(35)	Net gains/(losses) on financial instruments at fair value through profit or loss	6	**8,158**	(4,225)
	Other operating income		**75**	5
AASB101(85)	**Total net investment income/(loss)**		**12,783**	(2,621)
AASB101(99)	**Expenses**			
AASB101(85)	Responsible entity fees	17	**803**	684
AASB1054(10)	Custody fees		**18**	14
AASB9(B.5.4.7)	Remuneration of auditors	15	**55**	47
	Transaction costs		**438**	200
	Registry fees		**131**	128
	Other operating expenses	16	**103**	81
	Total operating expenses		**1,548**	1,154
AASB101(81A)(a)	**Operating profit/(loss)**		**11,235**	(3,775)
	Finance costs attributable to unit holders			
	Distribution to unitholders	12	**(50)**	(1,000)
	(Increase)/decrease in net assets attributable to unit holders	11	**(11,185)**	4,775
	Profit/(loss) for the period		**-**	-
AASB101(81A)(b)	Other comprehensive income		**-**	-
AASB101(81A)(c)	**Total comprehensive income for the period**		**-**	-

Not mandatory *The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

Balance sheet

		Notes	As at 30 June 2020 $'000	30 June 2019 $'000
	Assets			
AASB101(54)(i)	Cash and cash equivalents	13	**3,620**	1,325
	Margin accounts		**1,420**	2,223
	Due from brokers - receivable for securities sold		**1,962**	984
AASB101(54)(h)	Receivables		**251**	128
	Other assets		**246**	320
AASB101(54)(d)	Financial assets at fair value through profit or loss	7	**117,520**	90,716
	Total assets		**125,019**	95,696
	Liabilities			
AASB101(54)(k)	Payables		**76**	68
	Due to brokers - payable for securities purchased		**817**	2,597
	Other liabilities		**256**	144
AASB101(54)(m)	Financial liabilities at fair value through profit or loss	8	**12,215**	9,738
	Total liabilities		**13,364**	12,547
	Net assets attributable to unitholders – Liabilities	11	**111,655**	83,149

Not mandatory

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

Statement of changes in equity

		Notes	Year ended **30 June 2020** **$'000**	 30 June 2019 $'000
	Total equity at the beginning of the financial year		**-**	-
AASB101(106)(a)	**Comprehensive income for the year**			
AASB101(106)(d)(i)	Profit/(loss) for the year		**-**	-
AASB101(106)(d)(ii)	Other comprehensive income		**-**	-
AASB101(106)(a)	**Total comprehensive income for the year**		**-**	-
AASB101(106)(d)(iii)	**Transactions with unitholders**		**-**	-
	Total equity at the end of the financial year		**-**	-

Statement of changes in equity

Requirements for the presentation of a statement of changes in equity

1. A statement of changes in equity must be included in the financial statements even if there is no equity. Preferably, the statement should include the minimum line items that are required to be presented under AASB 101, with zero amounts for the current and comparative period. However, it may also be acceptable to replace the individual line items with an explanation that there was no equity during the current and previous financial years, provided this explanation is given under the heading of 'statement of changes in equity' and is presented as part of the financial statements, before the notes to the financial statements.

2 Summary of significant accounting policies (extract)

(a) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the responsible entity if it is in the best interests of the unitholders.

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

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

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As this is a multi-class fund, units are classified as financial liabilities as they do not meet the requirements of equity in accordance with AASB 132 *Financial instruments: Presentation*.

(b) Increase/decrease in net asset attributable to unit holders

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

(c) Distributions to unitholders

Distributions are payable as set out in the Fund's product disclosure statement and/or Fund's constitution. Such distributions are recognised as payable when they are determined by the responsible entity of the Fund.

Summary of significant accounting policies

Net assets attributable to unitholders

1. Paragraph 80 of AASB 101 only applies to equity interests. As the Corporations Act 2001 section 300(13)(c)(d)(e) requires the Directors' report to disclose the movement in units, this will need to be disclosed in the financial statements and referred to in the directors' report.
2. The financial liability was recorded at the amount expected to be delivered in cash. For an investment fund this is measured with reference to the total number of units on issue at the redemption price at the end of each reporting period. This amount may differ from the result obtained by deducting liabilities, excluding net assets attributable to unitholders, from total assets.
3. Where the changes in the valuation difference are material, this may further warrant separate disclosure either in the statement of profit or loss or in the notes.
4. It may also be appropriate to include the following additional disclosure in the accounting policy note on net assets attributable to unitholders (where classified as liability):

   "Because the Fund's redemption unit price is based on different valuation principles to those applied in the financial statements, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value are taken to profit or loss as they arise."

Appendix H Unobservable inputs disclosure examples

VALUE ACCOUNT Unit Trust only has a limited number of investments that are categorised in level 3 of the fair value hierarchy (illiquid debt securities). This appendix shows some other types of investments which may be categorised in Level 3, including investments held through externally managed investment vehicles and those directly held. It also provides a summarised example of a Fund's governance and oversight of level 3 valuations and unobservable input.

Identification and evaluation of level 3 investments

Portfolio reviews are undertaken regularly by the Fund's investment administrator to identify securities that may not be actively traded or have stale security prices. This process identifies securities which could be regarded as being Level 3 securities. Further analysis, if required, is undertaken to determine the accounting significance of the identification. In the event that a security is not actively traded, and there are no or few other reference points (such as broker quotes) to substantiate the quoted market price, an assessment is performed to determine the appropriate valuation to use that is most representative of fair value.

In addition to securities identified as Level 3 by the fund's investment administrator, the Fund maintains a record of investments which are known to have characteristics of Level 3 Investments. These include certain corporate debt securities and unlisted property, infrastructure and equity securities which may be either managed by an external investment manager or directly by the Fund's internal investment team.

A summary of the Trustee's valuation policies and processes for Level 3 investments is set out below:

Level 3 Investments managed by external investment managers

Level 3 Investments managed by external investment managers are investments held in unlisted property trusts and private equity partnerships which are closed-ended and not actively traded in public markets.

The Fund generally values interests in unlisted property trusts and private equity partnerships using the valuation provided by the external investment manager. As the underlying Fund's interest in these investments are not actively traded in a public market, the valuation provided by the external investment manager is considered unobservable and is therefore classified as a Level 3 investment.

The Fund reviews the valuation methodology adopted by the relevant investment manager and makes further enquiries, as appropriate, relating to valuation methodology and key inputs used to determine valuations.

For certain unlisted property trusts the Fund has applied a discount to the valuation provided by the external investment manager to reflect a difference in market outlook related to the underlying investments held in the trust.

Level 3 investments managed directly by the Fund's internal investment team

Level 3 investments managed directly by the Fund's internal investment team are valued at least annually. The valuation methodologies adopted for material asset classes held by the Fund are summarised below:

Debt securities

Debt securities are valued using the discounted cash flow methodology. The key assumption in this valuation is the discount rate which is determined with reference to the discount rate of comparable debt securities and the initial traded yield of the debt security, adjusted for market movements up to balance sheet date.

Property

Directly held properties are valued using both the capitalisation method and discounted cash flow method are used to value the properties. Key assumptions include the 10-yr compound market rental growth rate, capitalisation rate and discount rate.

Infrastructure

Infrastructure assets held directly by the Fund or via unlisted unit trusts are valued at least annually by an independent valuer using the discounted cash flow method as the primary valuation method. Key assumptions include cash flow estimates and the discount rate.

Unlisted Equities

Unlisted equities are valued using the discounted cash flow methodology, a market multiples approach or a net assets approach.

Under the discounted cash flow methodology, a discount rate representing the weighted average cost of capital of the business is used to discount projected future cash flows to their present value. The projected future cash flows are estimated based on terminal value and revenue growth rates.

Under the market multiples approach, benchmarks implied from the traded price of listed peers or transactions of comparable businesses are used to estimate the fair value of the asset.

Under the net assets approach, the fair value of net assets (using book value or values revised to fair value) is used to approximate the value of the asset. Generally this approach is adopted where the business is in distress, in wind up or where the operations of the business are on the balance sheet a fair value.

AASB13(93)(d), (h)(i), (ii)

Description[2]	Fair value at 30 June 2020 $000	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value[3] $000
Unlisted Property Unit Trusts	22,125	Unit Price	Diverse[(a)]	Increased/(decreased) unit price (+/- 10% would (decrease)/increase fair values by 420
		Valuation Adjustment	15%-30% (25%)	Increased/(decreased) Valuation Adjustment (+/-10%) would (decrease)/increase fair value by 250
Private equity partnerships	12,556	Unit Price	Diverse[(a)]	Increased/(decreased) unit price (+/- 10% would (decrease)/increase fair values by 220
Debt securities	15,681	Discount Rate	7.5% - 10% (8.5%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 520
Property	23,459	Capitalisation Rate	4.75%-5.25% (4.95%)	Increased/(decreased) capitalisation rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 800
		10-yr Compound Rental Market Growth Rates	0-3.1% (1.5%)	Increased/(decreased) 10-yr compound Rental Market Growth Rates (+/-10 basis points (bps)) would (decrease)/increase fair value by 900
		Discount Rate	6.5%-8% (7%)	Increased/(decreased) discount rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 600
Infrastructure	14,395	Discount Rate	7.6%-9.8% (8.9%)	Increased/(decreased) discount rate (+/-40 basis points (bps)) would (decrease)/increase fair value by 500
		Cash Flow Growth Rates	0%-4.7% (3.2%)	Increased/(decreased) cash flow growth rate (+/-10 basis points (bps)) would (decrease)/increase fair value by 600
Unlisted Equities	14,934	Market Multiples	Diverse[(b)]	Increased/(decreased) market multiples (+/- 10%) would (decrease)/increase fair values by 140
		Discount Rate	10.8%-12.5% (11.2%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 320
		Revenue Growth rate	0%-4.0%(1.5%)	Increased/(decreased) revenue growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 250
		Terminal Value Growth Rate	2.0%-3.0%(2.5%)	Increased/(decreased) terminal value growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 200

(a) The range of inputs related to the Unit Price is not disclosed as the number of the unlisted property unit trusts and private equity partnerships results in a wide range of unrelated inputs.

(b) The range of inputs related to the Market Multiples is not disclosed as a variety of unrelated market multiples may be used including enterprise-value-to-sales, price-to-earnings, price-to-book and price-to-free-cash-flow.

AASB13(93)(d), (h)(i), (ii)

Description[2]	Fair value at 30 June 2019 $000	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value[3] $000
Unlisted Property Unit Trusts	25,125	Unit Price	Diverse[(a)]	Increased/(decreased) unit price (+/- 10% would (decrease)/increase fair values by 480
		Valuation Adjustment	10%-20% (15%)	Increased/(decreased) Valuation Adjustment (+/-10%) would (decrease)/increase fair value by 300
Private equity partnerships	13,556	Unit Price	Diverse[(a)]	Increased/(decreased) unit price (+/- 10% would (decrease)/increase fair values by 470
Debt securities	18,681	Discount Rate	6.5% - 9% (8.0%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 590
Property	27,459	Capitalisation Rate	4.25%-5.05% (4.85%)	Increased/(decreased) capitalisation rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 900
		10-yr Compound Rental Market Growth Rates	0-4.1% (2.5%)	Increased/(decreased) 10-yr compound Rental Market Growth Rates (+/-10 basis points (bps)) would (decrease)/increase fair value by 1,000
		Discount Rate	5.5%-7% (6%)	Increased/(decreased) discount rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 700
Infrastructure	17,395	Discount Rate	6.6%-8.8% (8.2%)	Increased/(decreased) discount rate (+/-40 basis points (bps)) would (decrease)/increase fair value by 600
		Cash Flow Growth Rates	0%-5.7% (4.2%)	Increased/(decreased) cash flow growth rate (+/-10 basis points (bps)) would (decrease)/increase fair value by 700
Unlisted Equities	18,934	Market Multiples	Diverse[(b)]	Increased/(decreased) market multiples (+/- 10%) would (decrease)/increase fair values by 200
		Discount Rate	10.1%-11.5% (10.5%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 380
		Revenue Growth rate	1%-5.0% (2.5%)	Increased/(decreased) revenue growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 300
		Terminal Value Growth Rate	2.0%-4.0% (3%)	Increased/(decreased) terminal value growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 250

(a) The range of inputs related to the Unit Price is not disclosed as the number of the unlisted property unit trusts and private equity partnerships results in a wide range of unrelated inputs.

(b) The range of inputs related to the Market Multiples is not disclosed as a variety of unrelated market multiples may be used including enterprise-value-to-sales, price-to-earnings, price-to-book and price-to-free-cash-flow

Fair Value Measurement

AASB13(93)(d)

1. Entities must describe the valuation technique(s) and inputs used in the fair value measurement for all recurring and non-recurring fair value measurements of financial instruments that are categorised within level 2 and level 3 of the fair value hierarchy. If there has been a change in valuation technique, the entity should disclose the change and the reason for making it.

AASB13(93)(d)

2. For fair value measurements categorised within level 3 of the hierarchy, the entity must also provide quantitative information about the significant unobservable inputs used, unless quantitative inputs are not developed by the entity when measuring fair value (e.g. if the entity uses prices from prior transactions or third-party pricing information without adjustment).

AASB13(93)(h)

3. For all recurring fair value measurements that are classified as 'level 3' entities must provide information about the sensitivity of the fair value measurement to changes in unobservable inputs:
   (a) For all such measurements: a narrative description of the sensitivity if a change in unobservable inputs could result in significantly higher or lower fair values and a description of any interrelationships between those inputs and other unobservable inputs and how these interrelationships could magnify or mitigate the effect of changes in the inputs.
   (b) For financial assets and financial liabilities, if changing one or more unobservable inputs would change fair value significantly, entities shall disclose the effect of reasonably possible changes in assumptions and how the effect was calculated.

   For the non-financial assets included in the table above, we have included the quantitative impact for the non-financial assets as a best practice, though this would not be required under AASB 13.

Appendix I Abbreviations

Abbreviations used in this publication are set out below.

AAS	Australian Accounting Standards issued jointly by CPA Australia and The Institute of Chartered Accountants in Australia
AASB	Australian Accounting Standards Board
AASB (Number)	Accounting Standards issued by the AASB
AASB (Number)R	Revised accounting standard – not yet operative
AASB-I (Number)	Interpretations issued by the AASB
ABN	Australian Business Number
ACN	Australian Company Number
ACNC (Number)	*Australian Charities and Not-for-profits Commission Act 2012*
ADI	Authorised Deposit-taking Institution
AfS	Available-for-sale (financial assets)
AFSL	Australian Financial Services Licence
AGM	Annual General Meeting
AGS	Auditing Guidance Statements
AIFRS	Australian equivalents to International Financial Reporting Standards
AMIT	Attribution Managed Investment Trust
APES	Standards issued by the Accounting Professional & Ethical Standards Board (APESB)
APS	Miscellaneous Professional Statements
ASA	Auditing Standards issued by the AUASB under the *Corporations Act 2001*
ASIC	Australian Securities and Investments Commission
ASIC Act	*Australian Securities and Investments Commission Act 2001*
ASIC CP	ASIC Consultation Paper
ASIC IR	ASIC Information Releases
ASIC RG	ASIC Regulatory Guide
ASIC (Number)	ASIC Class Orders and Legislative Instruments (since 2015)
ASX	ASX Limited, trading as Australian Securities Exchange
ASX (Number)	ASX Listing Rules
AUASB	Auditing and Assurance Standards Board
bps	basis points
CA	*Corporations Act 2001*
CAANZ	Chartered Accountants in Australia and New Zealand
CGC (Number)	ASX Corporate Governance Council - Principles of Good Corporate Governance and Best Practice Recommendations
CGS	Corporate Governance Statement
CGPR	(ASX) Corporate Governance Best Practice Recommendations

CGU	Cash-Generating Unit
CODM	Chief operating decision maker
CPA	CPA Australia
CR	*Corporations Regulations 2001*
DP	Discussion Papers
ED	Accounting Exposure Drafts
ED securities	Enhanced Disclosure securities
ESMA	European Securities and Markets Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standard (UK)
FVLCOD	Fair value less cost of disposal
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
GGS	General Government Sectors
GPFS	General Purpose Financial Statements
GS	Guidance Statements issued by the AUASB
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	Interpretations issued by the IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
LTI	Long-term Incentive
MEC group	Multiple Entry Consolidated group
MIS	Managed Investment Scheme
MIT	Managed Investment Trust
NFP	Not-for-Profit
NCI	Non-controlling interest
OCI	Other comprehensive income
PSASB	Public Sector Accounting Standards Board (former)
RDR	Reduced Disclosure Regime
RSE	Registerable Superannuation Entity
SAC	Statements of Accounting Concepts
STI	Short-term Incentive
TSR	Total shareholder return
UIG	Urgent Issues Group
UIG (Number)	UIG Interpretations

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