

Australian Executor Trustees Cash Deposit Fund
ARSN 093 367 518
Annual Financial Report
For the Financial Year Ended
30 June 2017

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**Australian Executor Trustees Cash Deposit Fund
Directors' Report
For the Financial Year Ended 30 June 2017**

The Directors of Australian Executor Trustees Limited, the Responsible Entity of the Cash Deposit Fund, present this report together with the financial statements of the Cash Deposit Fund ("the Scheme"), for the year ended 30 June 2017 and the auditor's report thereon.

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

During the year, the Scheme continued to invest funds in accordance with its investment objectives as set out in the current Product Disclosure Statement and in accordance with the provisions of the Scheme's Constitution.

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

The Scheme did not have any employees during the year.

Responsible Entity

The following persons held office as Directors of Australian Executor Trustees Limited during the year and up to the date of this report:

Mr G. Venardos (Chairman)
Mr C. F. Kelaher
Mr J. Selak (Appointed 31 January 2017)
Ms D. Oldham (Appointed 31 January 2017)
Mr G. M. Walsh (Appointed 31 January 2017)
Dr R. N. Sexton (Resigned 24 November 2016)
Ms J. Harvey (Resigned 31 January 2017)
Mr A. Griffiths (Resigned 31 January 2017)
Ms E. Flynn (Resigned 17 March 2017)

Review of operations

During the year, the Scheme continued to invest in accordance with the investment objectives set out in the Scheme Constitution.

Results

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

| | Year Ended | |
|---|-----------------|-----------------|
| | 30 June 2017 | 30 June 2016 |
| | \$ | \$ |
| Operating profit | 6,328,649 | 7,230,783 |
| Distribution paid and payable to unitholders | (6,334,116) | (7,176,602) |
| Transfers (to) / from net assets attributable to unitholders / Total Comprehensive Income | 5,467 | (54,181) |
| Profit / (loss) for the year | - | - |

**Australian Executor Trustees Cash Deposit Fund
Directors' Report (Continued)
For the Financial Year Ended 30 June 2017**

Distributions

| | Year Ended | |
|-------------------------------|-----------------|-----------------|
| | 30 June 2017 | 30 June 2016 |
| | \$ | \$ |
| Distribution paid and payable | | |
| 31 July | 682,657 | 630,813 |
| 31 August | 663,123 | 608,546 |
| 30 September | 577,721 | 561,257 |
| 31 October | 531,736 | 586,741 |
| 30 November | 411,002 | 542,328 |
| 31 December | 436,627 | 520,424 |
| 31 January | 441,046 | 547,238 |
| 28 February | 475,691 | 549,014 |
| 31 March | 566,534 | 618,299 |
| 30 April | 518,762 | 656,156 |
| 31 May | 521,118 | 698,702 |
| 30 June | 508,099 | 657,084 |
| | 6,334,116 | 7,176,602 |
| | CPU | CPU |
| Distribution (cents per unit) | | |
| 31 July | 0.135 | 0.130 |
| 31 August | 0.125 | 0.127 |
| 30 September | 0.116 | 0.123 |
| 31 October | 0.102 | 0.121 |
| 30 November | 0.085 | 0.115 |
| 31 December | 0.085 | 0.116 |
| 31 January | 0.085 | 0.122 |
| 28 February | 0.101 | 0.121 |
| 31 March | 0.108 | 0.125 |
| 30 April | 0.100 | 0.134 |
| 31 May | 0.094 | 0.144 |
| 30 June | 0.093 | 0.137 |
| | 1.229 | 1.515 |

Performance

The table below demonstrates the performance of the Scheme as represented by the total return per annum, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return per annum calculated after fees is shown for the past two years to 30 June 2017 and assumes that all distributions were re-invested during that period. These are calculated in accordance with FSC standard 6.0 Product Performance - Calculation of Returns. The Directors assess the performance of the Scheme's total return per annum with the relevant benchmark that is disclosed in the Product Disclosure Statement. The comparison to benchmark performance for the two years to 30 June 2017 is also shown below:

| | 2017 | 2016 |
|-----------------------|------|------|
| | % | % |
| Capital growth | 0.00 | 0.00 |
| Distribution | 1.21 | 1.54 |
| Total return % | 1.21 | 1.54 |
| Benchmark | 1.68 | 1.86 |

Consistent with our statements in the current Product Disclosure Statement, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

**Australian Executor Trustees Cash Deposit Fund
Directors' Report (Continued)
For the Financial Year Ended 30 June 2017**

Management costs

The management fees for the years ended 30 June 2006 to 30 June 2017 are equal to 1/12th of 1.03% (inclusive of GST and expected reduced input tax credits) of the Scheme's net asset value assessed as at the first business day of each month and are deducted from the assets of the Scheme. The fees are accrued daily and paid monthly and are incorporated into the daily unit price of the Scheme. The management costs calculation includes fees charged to the Scheme during the financial year, including those charged by the Responsible Entity directly for the management of the assets.

Significant changes in state of affairs

In the opinion of the Directors of the Responsible Entity, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year under review.

Matters subsequent to the end of the financial year

Except as disclosed in the financial statements, no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

The results of the Scheme's operations are affected by a number of factors, including the performance of investment markets in which the Scheme 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.

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

Indemnification and insurance of officers and auditors

There is a Directors' and Officers' insurance policy which indemnifies the Directors and officers of Australian Executor Trustees Limited against liabilities to persons outside Australian Executor Trustees Limited that arise out of the performance of their normal duties. The premiums have not been paid for out of the assets of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

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

Details of fees paid to the Responsible Entity during the financial year are disclosed in note 10 of the financial statements.

No fees were paid out of the Scheme's property to the Directors of the Responsible Entity during the year.

The interests in the Scheme held by the Responsible Entity or its related parties as at the end of the financial year are disclosed in note 10 of the financial statements.

Interests in the Scheme

The Scheme has total assets valued at \$ 603,031,749 as at 30 June 2017 (2016: \$480,590,714). The basis for valuation of the Scheme's assets is disclosed in note 2(b) of the financial statements.

Details of the movement in Net Assets Attributable to Unitholders and total units on issue are disclosed in note 5 of the financial statements.

Environmental regulation

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

**Australian Executor Trustees Cash Deposit Fund
Directors' Report (continued)
For the Financial Year Ended 30 June 2017**

Lead auditor's independence declaration

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 6 and forms part of the Directors' Report for the year ended 30 June 2017.

Signed in accordance with a resolution of the Directors of Australian Executor Trustees Limited.

On behalf of the Directors,



Mr C.F. Kelaher
Director

Melbourne, 28 September 2017



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

To the Directors of Australian Executor Trustees Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Executor Trustees Cash Deposit Fund for the financial year ended 30 June 2017 there have been:

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


KPMG


Darren Ball
Partner

Adelaide

28 September 2017



Independent Auditor's Report

To the Unitholders of Australian Executor Trustees Cash Deposit Fund

Opinion

We have audited the **Financial Report** of the Australian Executor Trustees Cash Deposit Fund (the Scheme).

In our opinion, the accompanying **Financial Report** of the Australian Executor Trustees Cash Deposit Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Scheme's financial position as at 30 June 2017, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2017
- Statement of comprehensive income for the year then ended
- Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

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

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

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

Other Information

Other Information is financial and non-financial information in the Australian Executor Trustees Cash Deposit Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' Report. The Directors of Australian Executor Trustees Limited (the Responsible Entity) are responsible for the Other Information.

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors of Australian Executor Trustees Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

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

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.


KPMG


Darren Ball
Partner

Adelaide

28 September 2017

**Australian Executor Trustees Cash Deposit Fund
Directors' Declaration
For the Financial Year Ended 30 June 2017**

The Directors of Australian Executor Trustees Limited, the Responsible Entity of the Cash Deposit Fund ("the Scheme") declare that:

- (a) the financial statements and notes set out on pages 10 to 25 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2017 and of its performance for the year ended on that date;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of Australian Executor Trustees Limited.

On behalf of the Directors,



Mr C.F. Kelaher
Director

Melbourne, 28 September 2017

**Australian Executor Trustees Cash Deposit Fund
Statement of Comprehensive Income
For the Financial Year Ended 30 June 2017**

| | | Year Ended | |
|--|------|-----------------------|-----------------------|
| | Note | 30 June 2017 \$ | 30 June 2016 \$ |
| <u>Investment income</u> | | | |
| Interest income | 3 | 782,093 | 832,349 |
| Distribution income | | 10,896,662 | 11,160,321 |
| Total investment income | | 11,678,755 | 11,992,670 |
| <u>Expenses</u> | | | |
| Responsible Entity fees | 10 | 5,328,506 | 4,735,487 |
| Auditor's remuneration | 4 | 9,722 | 9,388 |
| Other expenses | | 11,878 | 17,012 |
| Total operating expenses before finance costs | | 5,350,106 | 4,761,887 |
| Operating profit | | 6,328,649 | 7,230,783 |
| <u>Finance costs attributable to unitholders from operations</u> | | | |
| Distributions to unitholders | 6 | (6,334,116) | (7,176,602) |
| Transfer (to)/from net assets attributable to unitholders / Total Comprehensive Income | 5 | 5,467 | (54,181) |
| Total Comprehensive Income | | - | - |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Australian Executor Trustees Cash Deposit Fund
Statement of Financial Position
As at 30 June 2017

| | Note | 30 June 2017 \$ | 30 June 2016 \$ |
|---|-------|-----------------------|-----------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | 11(a) | 82,501,987 | 45,046,259 |
| Financial assets held at fair value through profit or loss | 7 | 519,525,073 | 434,525,073 |
| Receivables | | 1,004,689 | 1,019,382 |
| Total assets | | 603,031,749 | 480,590,714 |
| <u>Liabilities</u> | | | |
| Total liabilities (excluding net assets attributable to unitholders) | | - | - |
| Net assets attributable to unitholders (liability) | 5 | 603,031,749 | 480,590,714 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Australian Executor Trustees Cash Deposit Fund
Statement of Changes in Equity
For the Financial Year Ended 30 June 2017

Under AASB 132 Financial Instruments: Presentation, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

Changes in net assets attributable to unitholders are disclosed in note 5.

Australian Executor Trustees Cash Deposit Fund
Statement of Cash Flows
For the Financial Year Ended 30 June 2017

| | Note | Year Ended | |
|--|-------|-----------------------------|-----------------------------|
| | | 30 June 2017 \$ | 30 June 2016 \$ |
| <u>Cash flows from operating activities</u> | | Inflows / (Outflows) | Inflows / (Outflows) |
| Interest income | | 775,282 | 853,797 |
| Distribution income | | 10,922,668 | 11,167,986 |
| Responsible Entity fees | | (5,333,008) | (4,736,900) |
| Auditor's remuneration | | (9,722) | (9,388) |
| Payment of other expenses | | (11,878) | (17,012) |
| Net cash inflow from operating activities | 11(b) | 6,343,342 | 7,258,483 |
| <u>Cash flows from investing activities</u> | | | |
| Proceeds from the sale of financial instruments held at fair value through profit or loss | 10 | 125,000,000 | 135,000,000 |
| Payments for the purchase of financial instruments held at fair value through profit or loss | 10 | (210,000,000) | (135,000,000) |
| Net cash inflow/(outflow) from investing activities | | (85,000,000) | - |
| <u>Cash flows from financing activities</u> | | | |
| Proceeds from application for units | 5 | 2,512,555,293 | 2,006,879,024 |
| Payments for redemption of units | 5 | (2,390,108,791) | (2,009,261,493) |
| Distributions paid to unit holders | 6 | (6,334,116) | (7,176,602) |
| Net cash inflow/(outflow) from financing activities | | 116,112,386 | (9,559,071) |
| <u>Net increase/(decrease) in cash and cash equivalents</u> | | 37,455,728 | (2,300,588) |
| Cash and cash equivalents at the beginning of the financial year | | 45,046,259 | 47,346,847 |
| Cash and cash equivalents at the end of the financial year | 11(a) | 82,501,987 | 45,046,259 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements
For the Financial Year Ended 30 June 2017**

Note 1: General information

This financial report covers Australian Executor Trustees Cash Deposit Fund (the "Scheme") as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act of 2001*. The Scheme was constituted on 1 June 1988. The Scheme will continue until the expiration of 21 years after the death of the last survivor of the lineal descendants of His late Majesty King George VI living as at the date of commencement of the Scheme unless terminated earlier in accordance with the provisions of the governing documents of the Scheme.

The Responsible Entity of the Scheme is Australian Executor Trustees Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 22, 207 Kent Street, Sydney, NSW, 2000. The Responsible Entity's ABN number is 84 007 869 794.

The financial statements were authorised for issue by the directors on 28 September 2017. The directors of the Responsible Entity have the power to amend and reissue the financial report as considered necessary under the Scheme's Constitution.

Note 2: Summary of significant accounting policies

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

(a) Basis of preparation

The financial report is a general purpose financial report for the year ended 30 June 2017 which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the Scheme complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical-cost convention except for financial assets and financial liabilities held at fair value through profit or loss, which are measured at fair value.

The financial statements are presented in Australian dollars which is the Scheme's functional currency.

(b) Financial instruments

(i) Classification

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

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

These include financial assets that are not held for trading purposes and which may be sold. These include investments in fixed interest and units in unlisted managed investment schemes.

The fair value through profit or loss classification is available for the majority of the financial assets held by the Scheme and the financial liabilities arising from the units must be fair valued. Therefore, not fair valuing the financial assets used in calculating the fair value of the liability would result in an accounting mismatch. In addition, the Scheme's performance and risk management are assessed on a fair value basis.

(ii) Recognition/derecognition

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Scheme becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017

Note 2: Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

Financial instruments held at fair value through profit or loss

Financial assets and financial liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs that are directly attributable to its acquisition or issue recognised in the Statement of Comprehensive Income. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

The following represent the basis of valuation of financial assets and liabilities designated at fair value through profit and loss for financial reporting purposes:

- **Money Market Securities**

Money Market Securities are fair valued using quoted "bid" prices from an exchange.

- **Interest Bearing Securities**

Interest Bearing Securities are fair valued using quoted "bid" prices from an exchange.

- **Unlisted Units in Managed Investment Schemes**

The fair value of units in unlisted Managed Investment Schemes is the redemption price per unit on the last day of the period, as determined by the Scheme's Responsible Entity. The redemption price is calculated by deducting from the value of the Scheme's gross assets the value of the liabilities of the Managed Investment Scheme, less an allowance for disposal costs.

If a quoted market price is not available on a recognised stock exchange, from an investment's responsible entity or from broker / dealers for non-exchange-traded financial instruments, the fair value of the instrument is estimated using the last available quoted market price or valuation techniques, which include use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Scheme at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholders exercised their right to put the units back to the Scheme.

(d) Cash and cash equivalents

Cash comprises current deposit with local banks. Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than investment or other purposes.

(e) Investment income and expenses

Interest income and expense are recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including withholding tax, if any.

Interest income on assets held at fair value through the profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Trust distributions are recognised on an entitlement basis.

All expenses, including Responsible Entity fees, are recognised in the Statement of Comprehensive Income on an accrual basis.

Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017

Note 2: Summary of significant accounting policies (continued)

(f) Distribution and taxation

Under current legislation, the Scheme is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme Constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the Constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

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

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Scheme may incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of Comprehensive Income.

(g) Finance costs

Distributions paid and payable on units are recognised in the Statement of Comprehensive Income as finance costs and as a liability until paid. Distributions paid are included in cash flow from financing activities in the Statement of Cash Flows.

(h) Increase/decrease in net assets attributable to unitholders

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax deferred income, accrued income not yet assessable and non-deductible expenses are reflected in net assets attributable to unitholders. These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

Movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

(i) Receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(e). Amounts are generally received within 30 days of being recorded as receivables.

(j) Payables

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

The distribution amount payable to unitholders as at the reporting date is recognised separately on the Statement of Financial Position as unitholders are presently entitled to the distributable income as at 30 June 2017 under the Scheme's Constitution.

(k) Applications and redemptions

Applications received for units by the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme.

All redeemable units issued by the Scheme provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Scheme is contractually obliged to redeem units at redemption price, which includes an allowance for transaction costs that would be incurred by the Scheme on disposal of its assets required to fund the redemptions. As a result of the transaction cost factor, there will be a difference between the carrying amount of the net assets of the Scheme (excluding the unitholders' funds classified as a financial liability) and the contractual amount payable to unitholders which is based on the redemption price. The adjustments arising from different unit pricing and IFRS valuation principles are presented in the Statement of Financial Position as part of the net assets attributable to unitholders.

**Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017**

Note 2: Summary of significant accounting policies (continued)

(l) Unit prices

The unit price is based on unit price accounting outlined in the Scheme's Constitution and Product Disclosure Statement.

(m) Goods and services Tax (GST)

Management fees, custodial fees and other expenses are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

(n) Use of estimates

The preparation of the financial statements in conformity with IFRS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(o) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Scheme has a legal right to offset the amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under AASBs, e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit and loss.

(p) Changes in accounting policies

There were no changes in the accounting policies of the Scheme during the year.

(q) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Scheme. The assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set below:

AASB 9 *Financial Instruments* and its related amendments addresses the classification, measurement and derecognition of financial assets and liabilities. It has now introduced a new expected credit loss model for calculating impairment on financial assets and revised rules around hedge accounting and classification. This standard is not applicable until 1 January 2018 but is available for early adoption. Australian Executor Trustees Limited has determined that the adoption of the standard will not have a material impact on any amounts recognised in the financial statements.

AASB 15 *Revenue* from contracts with customers will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risk and rewards. This standard is applicable for financial years commencing on or after 1 January 2018. Australian Executor Trustees Limited has determined that the adoption of the standard will not have a material impact on revenue recognition.

Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017

Note 3: Interest income

The following table details the interest income earned by the Scheme during the year:

| | Year Ended | |
|---|----------------|----------------|
| | 30 June | 30 June |
| | 2017 | 2016 |
| | \$ | \$ |
| Interest income from financial assets that are carried at amortised cost: | | |
| Cash and cash equivalents | 782,093 | 832,349 |
| Total interest income | 782,093 | 832,349 |

Note 4: Auditor's remuneration

| | Year Ended | |
|--|--------------|--------------|
| | 30 June | 30 June |
| | 2017 | 2016 |
| | \$ | \$ |
| Audit services | | |
| Audit and review of financial statements | 6,568 | 6,343 |
| Other regulatory audit services | 3,154 | 3,045 |
| Total remuneration for audit services | 9,722 | 9,388 |

Auditor's remuneration is paid by the Responsible Entity and recouped from the Scheme.

Note 5: Net assets attributable to unitholders

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

| | As at | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2017 | 2016 | 2016 |
| | No. of Units | \$ | No. of Units | \$ |
| Balance 1 July | 480,642,224 | 480,590,714 | 483,024,693 | 482,919,002 |
| Applications | 2,512,555,293 | 2,512,555,293 | 2,006,879,024 | 2,006,879,024 |
| Redemptions | (2,390,108,791) | (2,390,108,791) | (2,009,261,493) | (2,009,261,493) |
| Transfer to/(from) net assets attributable to unitholders / Total Comprehensive Income | - | (5,467) | - | 54,181 |
| Balance 30 June | 603,088,726 | 603,031,749 | 480,642,224 | 480,590,714 |

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme. Units are issued and redeemed at the holder's option at prices based on the value of the Scheme's net assets at the time of issue/redemption less transaction costs.

**Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017**

Note 6: Distributions paid and payable

The distributions were paid/payable as follows:

| | Year Ended | | | |
|-------------------|-----------------------|------------------------|-----------------------|------------------------|
| | 30 June 2017 \$ | 30 June 2017 CPU | 30 June 2016 \$ | 30 June 2016 CPU |
| 31 July paid | 682,657 | 0.135 | 630,813 | 0.130 |
| 31 August paid | 663,123 | 0.125 | 608,546 | 0.127 |
| 30 September paid | 577,721 | 0.116 | 561,257 | 0.123 |
| 31 October paid | 531,736 | 0.102 | 586,741 | 0.121 |
| 30 November paid | 411,002 | 0.085 | 542,328 | 0.115 |
| 31 December paid | 436,627 | 0.085 | 520,424 | 0.116 |
| 31 January paid | 441,046 | 0.085 | 547,238 | 0.122 |
| 28 February paid | 475,691 | 0.101 | 549,014 | 0.121 |
| 31 March paid | 566,534 | 0.108 | 618,299 | 0.125 |
| 30 April paid | 518,762 | 0.100 | 656,156 | 0.134 |
| 31 May paid | 521,118 | 0.094 | 698,702 | 0.144 |
| 30 June paid | 508,099 | 0.093 | 657,084 | 0.137 |
| | <u>6,334,116</u> | <u>1.229</u> | <u>7,176,602</u> | <u>1.515</u> |

Note 7: Financial assets held at fair value through profit or loss

| | 30 June 2017 \$ | 30 June 2016 \$ |
|---|-----------------------|-----------------------|
| Designated at fair value through profit or loss | | |
| Unlisted unit trusts | 519,525,073 | 434,525,073 |
| Total financial assets held at fair value through profit or loss | <u>519,525,073</u> | <u>434,525,073</u> |
| Comprising: | | |
| Unlisted unit trusts | | |
| Units in unlisted unit trusts | 519,525,073 | 434,525,073 |
| Total financial assets held at fair value through profit or loss | <u>519,525,073</u> | <u>434,525,073</u> |

Note 8: Financial risk management

(a) Strategy in using financial instruments

The Scheme is exposed to a variety of financial risks: credit risk, liquidity risk and market price risk (including interest rate risk) arising from the financial instruments it holds.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's governing documents and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed.

More details about risk management policies employed by the Scheme to manage financial risks are discussed below.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme, resulting in a financial loss to the Scheme.

The Scheme is exposed to concentrations of risk when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved,
- ensuring that transactions are undertaken with a large number of counterparties (either directly or indirectly), and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

**Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017**

Note 8: Financial risk management (continued)

(b) Credit risk (continued)

As at 30 June 2017 and 30 June 2016, there are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk is not considered to be significant to the Scheme except in relation to investments in debt securities. The Scheme does not have any investments in debt securities at 30 June 2017 and 30 June 2016.

(c) Liquidity and cash flow risk

Liquidity risk is not considered significant as the Scheme's investments in cash and financial assets held at fair value through profit or loss are redeemable on demand. These investments do not have a contractual maturity. Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Scheme. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- applying limits to ensure there is no concentration of liquidity risk to particular counterparty or market.

In accordance with the Scheme's policy, the Responsible Entity via the Investment Manager monitors the Scheme's liquidity position on a daily basis and the Directors of the Responsible Entity review it on quarterly basis.

Financial liabilities of the Scheme comprise net assets attributable to unitholders. Net assets attributable to unitholders are payable on demand.

(d) Market risk

Market risk is the risk that the changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Scheme's Responsible Entity aims to reduce market risk through analysis of the economic cycle and broad research of companies and markets, which may impact the Scheme's investments. In addition, the Responsible Entity, within asset allocation ranges, reduces exposure to sectors they perceive to be overvalued in favour of sectors which they believe have the prospect of better relative returns.

In accordance with the Scheme's policy, the Responsible Entity via the Investment Manager monitors the Scheme's market risk on a daily basis and the Directors of the Responsible Entity review it on quarterly basis.

Market risk is not considered to be significant to the Scheme at 30 June 2017 and 30 June 2016.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates.

The Responsible Entity undertakes interest rate management strategies to manage the risk of the Scheme. This includes managing exposures around the benchmark.

In accordance with the Scheme's policy, the Responsible Entity via the Investment Manager monitors the Scheme's overall interest sensitivity position on a daily basis and the Directors of the Responsible Entity review it on quarterly basis.

Interest rate risk is not considered to be significant to the Scheme except in relation to investments in interest bearing securities. The Scheme does not have any investment in interest bearing securities at 30 June 2017 and 30 June 2016.

However, the Scheme does hold cash and cash equivalents for liquidity and transactional purposes and this cash is held at floating rates of interest. As a result, the Scheme is subject to a limited exposure to interest rate risks due to fluctuations in the levels of market interest rates.

The interest rate risk disclosures have been prepared on the basis of the Scheme's direct investments and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosures of interest rate risk in the note may not represent the true interest rate risk profile of the Scheme where the Scheme has significant investments in unit trusts which also have exposure to the interest rate markets.

Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017

Note 8: Financial risk management (continued)

(e) Interest rate risk (continued)

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

30 June 2017

| | Floating | Fixed interest rate | | | Non-interest bearing | Total |
|---|-------------------|---------------------|--------------|--------------|----------------------|--------------------|
| | interest rate | Within 1 year | 1 to 5 years | Over 5 years | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | | |
| Cash and cash equivalents | 82,501,987 | - | - | - | - | 82,501,987 |
| Financial assets held at fair value through profit or loss | - | - | - | - | 519,525,073 | 519,525,073 |
| Receivables | - | - | - | - | 1,004,689 | 1,004,689 |
| Total assets | 82,501,987 | - | - | - | 520,529,762 | 603,031,749 |
| Liabilities | | | | | | |
| Total liabilities (excluding net assets attributable to unitholders) | - | - | - | - | - | - |
| Total interest sensitivity gap | 82,501,987 | - | - | - | 520,529,762 | 603,031,749 |

30 June 2016

| | Floating | Fixed interest rate | | | Non-interest bearing | Total |
|---|-------------------|---------------------|--------------|--------------|----------------------|--------------------|
| | interest rate | Within 1 year | 1 to 5 years | Over 5 years | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | | |
| Cash and cash equivalents | 45,046,259 | - | - | - | - | 45,046,259 |
| Financial assets held at fair value through profit or loss | - | - | - | - | 434,525,073 | 434,525,073 |
| Receivables | - | - | - | - | 1,019,382 | 1,019,382 |
| Total assets | 45,046,259 | - | - | - | 435,544,455 | 480,590,714 |
| Liabilities | | | | | | |
| Total liabilities (excluding net assets attributable to unitholders) | - | - | - | - | - | - |
| Total interest sensitivity gap | 45,046,259 | - | - | - | 435,544,455 | 480,590,714 |

**Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017**

Note 8: Financial risk management (continued)

(e) Interest rate risk (continued)

The effect on the net assets attributable to unitholders and profit or loss due to a reasonably possible change in interest rates with all other variables held constant is indicated in the table below:

| 30 June 2017 | Change in interest rate | | Effect on net assets attributable to unitholders and profit or loss | |
|----------------|-------------------------|-------------|---|-----------|
| | Increase | Decrease | Increase | Decrease |
| | basis point | basis point | \$ | \$ |
| Interest rates | 100 | (100) | 825,020 | (825,020) |

| 30 June 2016 | Change in interest rate | | Effect on net assets attributable to unitholders and profit or loss | |
|----------------|-------------------------|-------------|---|-----------|
| | Increase | Decrease | Increase | Decrease |
| | basis point | basis point | \$ | \$ |
| Interest rates | 100 | (100) | 450,463 | (450,463) |

The Scheme does hold cash for liquidity and transactional purposes and this cash is held at floating rates of interest. As a result, the Scheme is subject to a limited exposure to interest rate risks due to fluctuations in the levels of market interest rates.

Note 9: Fair value of financial instruments

Fair value measurements recognised in the Statement of Financial Position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to note 2(b) for the basis of valuation applied to the financial assets below.

| 30 June 2017 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|-------------|---------|-------------|
| | \$ | \$ | \$ | \$ |
| Financial assets held at fair value through profit or loss | - | 519,525,073 | - | 519,525,073 |

| 30 June 2016 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|-------------|---------|-------------|
| | \$ | \$ | \$ | \$ |
| Financial assets held at fair value through profit or loss | - | 434,525,073 | - | 434,525,073 |

**Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017**

Note 10: Related party transactions

Responsible Entity

The Responsible Entity of the Cash Deposit Fund is Australian Executor Trustees Limited.

The immediate parent entity and the ultimate controlling entity of Australian Executor Trustees Limited is IOOF Holdings Ltd.

Key management personnel

Key management personnel includes persons who are directors of Australian Executor Trustees Limited during this reporting period and up to the date of this report:

Mr G. Venardos (Chairman)
Mr C. F. Kelaher
Mr J. Selak (Appointed 31 January 2017)
Ms D. Oldham (Appointed 31 January 2017)
Mr G. M. Walsh (Appointed 31 January 2017)
Dr R. N. Sexton (Resigned 24 November 2016)
Ms J. Harvey (Resigned 31 January 2017)
Mr A. Griffiths (Resigned 31 January 2017)
Ms E. Flynn (Resigned 17 March 2017)

Responsible entity's fees and other transactions

The monthly management fee is equal to 1/12th of 1.03% (inclusive of GST and expected reduced input tax credits) of the Scheme's value assessed as at the first business day of each month.

In addition to the Responsible Entity's fee, the Responsible Entity is entitled to be reimbursed out of the Scheme for costs including expenses in connection with the keeping and preparation of accounting records and the maintenance of the register.

For the years ended 30 June 2017 and 30 June 2016, all expenses in connection with the preparation of accounting records and the maintenance of the register have been fully borne by the Responsible Entity.

All related party transactions are conducted on normal commercial terms and conditions. The amounts paid and payable between the Scheme and the Responsible Entity were as follows:

| | 30 June 2017 \$ | 30 June 2016 \$ |
|---|--------------------------------|--------------------------------|
| Management fees for the year paid and payable by the Scheme to the Responsible Entity | 5,328,506 | 4,735,487 |

Investments

The Scheme held investments in the following schemes of which IOOF Investment Management Limited is the Responsible Entity or its related parties:

| | Fair value of Investment | | Interest held | | Distribution received / receivable | | Distribution receivable | |
|----------------------------|--------------------------|-------------|---------------|-----------|------------------------------------|------------|-------------------------|------------|
| | 2017 \$ | 2016 \$ | 2017 % | 2016 % | 2017 \$ | 2016 \$ | 2017 \$ | 2016 \$ |
| IOOF Cash Management Trust | 519,525,073 | 434,525,073 | 23.78 | 24.12 | 10,896,662 | 11,160,321 | 906,192 | 932,198 |

**Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017**

Note 10: Related party transactions (continued)

Transactions

| | Transaction Value | |
|--|-----------------------|-----------------------|
| | Year Ended | |
| | 30 June 2017 \$ | 30 June 2016 \$ |
| IOOF Cash Management Trust | | |
| Proceeds from the sale of financial instruments held at fair value through profit or loss | 125,000,000 | 135,000,000 |
| Payments for the purchase of financial instruments held at fair value through profit or loss | (210,000,000) | (135,000,000) |
| Total | (85,000,000) | - |

Key management personnel compensation

Key management personnel are remunerated by Australian Executor Trustees Limited. Payments made from the Scheme to Australian Executor Trustees Limited do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

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

Other transactions within the Scheme

Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving Directors interests subsisting at year end.

Key management personnel unitholdings

As at 30 June 2017 and 30 June 2016, no directors of the Responsible Entity held units in the Scheme.

Note 11: Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

(a) Cash and cash equivalents

| | As at | |
|------------------|-----------------------|-----------------------|
| | 30 June 2017 \$ | 30 June 2016 \$ |
| Deposits at call | 82,501,987 | 45,046,259 |
| | 82,501,987 | 45,046,259 |

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

| | Year Ended | |
|--|-----------------------|-----------------------|
| | 30 June 2017 \$ | 30 June 2016 \$ |
| Operating profit for the year | 6,328,649 | 7,230,783 |
| Decrease/(increase) in receivables | 14,693 | 27,700 |
| Net cash inflow from operating activities | 6,343,342 | 7,258,483 |

As described in note 2(h), non-distributable income is included in net assets attributable to unitholders. The change in this amount each year represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

Australian Executor Trustees Cash Deposit Fund
Notes to the Financial Statements (continued)
For the Financial Year Ended 30 June 2017

Note 12: Events subsequent to reporting date

No significant events have occurred after the reporting date that affect the interpretation of the financial information contained within this report.

Note 13: Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2017 and 30 June 2016.