

UBT Invest Australian Retail Credit Fund

ARSN 623 121 817

Report for the financial period from 11 December 2017 to 31 December 2018

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Directors' Report

The directors of One Managed Investment Funds Limited (ACN 117 400 987; AFSL 297 042), (the "Responsible Entity") the responsible entity of UBT Invest Australian Retail Credit Fund (ARSN 623 121 817) (the "Fund"), submit their report together with the financial statements for the Fund for the financial period 11 December 2017 to 31 December 2018.

Information about the Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity, in office during the period ended 31 December 2018 and up to the date of this report are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director (resigned 26 October 2018)
Sarah Wiesener	Executive Director (appointed 26 October 2018) and Company Secretary

The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

Principal Activities

The Fund is a registered managed investment scheme, domiciled in Australia. The Fund was constituted and registered as a managed investment scheme on 11 December 2017, and commenced operations on 6 July 2018. The financial statements cover the financial period from 11 December 2017 to 31 December 2018.

The principal activity of the Fund during the financial period was to invest in accordance with the provisions of the Fund's Constitution and its Product Disclosure Statement ("PDS"), dated 31 May 2018.

The Fund aims to provide exposure to loan investments, through an interposed entity called the UBT Invest Commercial Credit Fund ("Commercial Credit Fund"). The Commercial Credit Fund is the investment vehicle which makes the investments which generate the returns to be paid to the Fund. It seeks to generate returns by buying existing loans (already established secured and unsecured business loans supported by a personal guarantee) made by Prospect Hill Trust ("PHT"), in the short term, and by making new loans to Brethren Community businesses in the medium to long term, in addition to making investments in other fixed income investments and cash and cash like investments.

The objective of the Fund is to generate returns that are above the median term deposit rate paid by the major banks for a similar term as the investment terms in the Fund (either 3 months or 12 months). This objective may not be achieved, especially before the Fund achieves scale. By investing the Fund assets into the Commercial Credit Fund, the Fund is seeking to generate a monthly return for its investors.

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

Fund Service	Provider
Responsible Entity	One Managed Investment Funds Limited (ACN 117 400 987)
Custodian	One Managed Investment Funds Limited (ACN 117 400 987)
Investment Manager	Aura Funds Management Pty Ltd (ACN 607 158 814)
Auditor	Crowe Horwath Sydney (ABN 97 895 683 573)
Fund Administrator	Unity Fund Services Pty Limited (ACN 146 747 122)

Review of Operations

This is the first financial report for the Fund and as a result there are no comparatives.

Directors' Report (continued)

Results

The results of the operations of the Fund are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The net gain attributable to unitholders for the period ended 31 December 2018 was \$506,058.

Distributions

In respect of the financial period ended 31 December 2018, distributions totalling \$505,951 were declared to be paid to unitholders of which \$101,094 was payable as at 31 December 2018.

Value of Assets and Units Issued

The total value of the Fund's assets at 31 December 2018 was \$39,503,585. The total number of units on issue as at 31 December 2018 was 34,814,295 and 3,863,411 for the 12 month unit class and 3 month unit class, respectively.

Key management personnel of the Responsible Entity and their associated entities did not hold any units in the Fund during the financial period and as at 31 December 2018.

Significant Changes in State of Affairs

During the financial period there were no significant changes in the state of affairs of the Fund.

Subsequent Events

There has been no matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Likely Developments and Expected Results of Operations

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its PDS dated 31 May 2018.

Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Indemnification of Directors, Officers and Auditors

During the financial period, the Responsible Entity paid premiums in respect of contracts insuring the directors of the Responsible Entity against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contracts of insurance prohibit disclosure of the nature of the liability and the amount of the premiums.

The Responsible Entity has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred by such an officer or auditor.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 4.

Directors' Report (continued)

The report is made in accordance with a resolution of the directors of the Responsible Entity, One Managed Investment Funds Limited.

A handwritten signature in black ink, appearing to read 'Frank Tearle', written in a cursive style.

Frank Tearle

Director

22 March 2019

22 March 2019

The Directors
One Managed Investment Funds Limited
As the Responsible Entity of UBT Invest Australian
Retail Credit Fund
Level 11
20 Hunter Street
SYDNEY NSW 2000

Dear Directors

UBT Invest Australian Retail Credit Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of One Managed Investment Funds Limited.

As lead audit partner for the audit of the financial report of UBT Invest Australian Retail Credit Fund for the financial period 11 December 2017 to 31 December 2018, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Crowe Horwath Sydney



John Haydon
Senior Partner

Independent Auditor's Report to the Unitholders of UBT Invest Australian Retail Credit Fund

Opinion

We have audited the financial report of UBT Invest Australian Retail Credit Fund (the Fund), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the period 11 December 2017 to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its financial performance for the period 11 December 2017 to 31 December 2018; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of One Managed Investment Funds Limited as the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Crowe Horwath Sydney

Crowe Horwath Sydney

John Haydon

John Haydon
Senior Partner

Dated at Sydney this 22nd day of March 2019

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 (a) to the financial statements; and
- (c) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle
Director
22 March 2019

Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2018

	Note	11 December 2017 to 31 December 2018 \$
Revenue		
Interest income		2,246
Distribution income	5	613,039
Other income		3,248
Total revenue		<u>618,533</u>
Expenses		
Administration expenses	6	76,935
Management fees		25,531
Formation and establishment fees		10,009
Total expenses		<u>112,475</u>
Net gain attributable to unitholders	12	506,058
Finance costs attributable to unitholders		
Distributions to unitholders	12	(505,951)
Increase in net assets attributable to unitholders		<u>(107)</u>
Profit for the period		-
Other comprehensive income		-
Total comprehensive income		<u>-</u>

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

Statement of Financial Position as at 31 December 2018

	Note	31 December 2018 \$
Assets		
Cash and cash equivalents	7(a)	1,772
Distribution receivable	8	121,801
GST receivable		3,306
Financial assets at fair value through profit and loss	9	38,677,706
Redemption receivable		699,000
Total assets		39,503,585
Liabilities		
Distribution payable		101,094
Redemption payable		699,000
Trade and other payables	11	25,678
Total liabilities (excluding net assets attributable to unitholders)		825,772
Net assets attributable to unitholders		38,677,813

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

Statement of Changes in Net Assets Attributable to Unitholders for the period ended 31 December 2018

	Note	11 December 2017 to 31 December 2018 \$
Balance as at 11 December 2017		-
Applications for units by unitholders		40,187,706
Redemption of units		(1,510,000)
Net gain attributable to unitholders		506,058
Distributions paid		(505,951)
Balance as at 31 December 2018	12	38,677,813

The above Statement of Changes in Net Assets should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the period ended 31 December 2018

		11 December 2017 to 31 December 2018 \$
	Note	
Cash flows from operating activities		
Interest received		2,246
Distributions received		491,238
Other income received		3,248
Payment of other expenses		(90,103)
Net payment for financial assets		(13,385,500)
Net cash used in operating activities	7(b)	(12,978,871)
Cash flows from financing activities		
Applications by unitholders		14,196,500
Redemption of units		(811,000)
Distributions paid to unitholders		(404,857)
Net cash provided by financing activities		12,980,643
Net increase in cash and cash equivalents		1,772
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	7(a)	1,772
Non-cash financing activities	7(c)	25,991,206

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

Notes to the Financial Statements

1. General Information

These financial statements cover UBT Invest Australian Retail Credit Fund (the "Fund") as an individual entity. The Fund is an Australian unlisted registered managed investment scheme. The Fund was constituted and registered as a managed investment scheme on 11 December 2017, and commenced operations on 6 July 2018. The financial statements cover the period from 11 December 2017 to 31 December 2018.

The responsible entity of the Fund is One Managed Investment Funds Limited (ACN 117 400 987; AFSL 297 042) (the "Responsible Entity"). The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

The principal activity of the Fund during the financial period ended 31 December 2018 was to invest in accordance with the provisions of the Fund's Constitution and the Product Disclosure Statement ("PDS"), dated 31 May 2018.

The investment manager for the Fund is Aura Funds Management Pty Ltd (ACN 607 158 814) (the "Investment Manager").

The financial statements were authorised for issue by the directors of the Responsible Entity on the date the Directors' Declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. Adoption of New and Revised Accounting Standards

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and are effective for the current financial reporting period ended 31 December 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Fund included:

- AASB9 '*Financial Instruments*'

The standard brings on significant revisions to the classification and measurement of financial assets, reducing the number of categories and the removal of impairment testing of assets measured at fair value. Impairment of loans and receivables is assessed based on expected losses rather than incurred losses.

3. Significant Accounting Policies

a) Statement of Compliance

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

Compliance with Australian Accounting Standards, as issued by the AASB ensures that the financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements, as issued by the IASB. These policies have been consistently applied unless otherwise stated in the following text.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

b) Basis of preparation

This general purpose financial report has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets 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 readily determined as at balance date.

All amounts are presented in Australian dollars as the functional and presentation currency of the Fund.

c) Going concern basis

This financial report has been prepared on a going concern basis.

d) Revenue and income recognition

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Changes in fair value of financial assets and liabilities are recognised in profit or loss in the period in which the changes occur.

Interest income

Interest income is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Distribution income

Distributions from investments are recognised when the right to receive the payment is established.

e) Expenses

All expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

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.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

g) Financial instruments

Investments in financial instruments

Investments in financial instruments as defined by AASB 132 *'Financial Instruments: Presentation'* are categorised in accordance with AASB 9 *'Financial Instruments'*. This classification is determined by the purpose underpinning the acquisition of the investment.

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are initially recognised using trade date accounting i.e. when the Fund becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value plus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Derecognition

Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire, or if the Fund transfers the financial assets to another party without retaining substantially all the risks and rewards attached to the asset.

Financial liabilities are derecognised if the Fund's obligations specified in the contract expire or are discharged or cancelled.

Impairment

The financial assets held at amortised cost are subject to impairment testing. At the end of each reporting period, the Fund assesses whether there is objective evidence that the financial assets have been impaired.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. In accordance with AASB 132 where unitholders' funds are classified as a financial liability and disclosed as such in the statement of financial position, they are referred to as "Net assets attributable to unitholders".

Derivative financial instruments

During the period, the Fund did not hold any derivative financial instruments to hedge its interest rate risk exposures.

h) Taxation

Under the current tax legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no taxable income of the Fund to which the unitholders are not currently entitled. Additionally, the Fund's Constitution requires the distribution of the full amount of the net taxable income of the Fund to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income and assessable in the hands of the unitholders.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

i) Distributions

According to the PDS dated 31 May 2018, distributions to be paid monthly are anticipated to be the amount of the distribution rate which is set for the relevant class of units held by an investor at the end of the relevant month. The distributions are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs attributable to unitholders.

j) Payables

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

k) 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.

l) Critical accounting judgements and key sources of estimation uncertainty

Management has adhered to the Fund's unit pricing policy which sets out the basis upon which the units of the Fund have been valued, a copy of which is available upon request.

In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in notes 3(b) and 3(g) of these financial statements.

m) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, management fees, administration fees and legal fees were subject to Reduced Input Tax Credits ("RITCs") in accordance with legislation.

The following RITC rates were applied by the Fund during the reporting period ended 31 December 2018.

Services Supplied	RITC Rate
Responsible entity, audit, registry & legal fees	55%
Investment management, custody &, administration fees	75%

Notes to the Financial Statements

4. Financial Risk Management Objectives and Policies

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's PDS. 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.

Risks arising from investing in financial instruments are inherent in the Fund's activities and cannot be completely mitigated by the Responsible Entity and the Fund's appointed service providers. The Fund is exposed to a number of risks that could affect the performance of the Fund, the level of income distributions and the repayment of capital. The management of these risks is carried out by the Investment Manager under policies approved by the directors of the Responsible Entity. The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

(a) Credit risk

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, arises from the Fund's exposure to loan investments, through an interposed entity called the UBT Invest Commercial Credit Fund ("Commercial Credit Fund"). The Commercial Credit Fund is the investment vehicle which makes the investments which generate the returns to be paid to the Fund. It seeks to generate returns by buying existing loans (already established secured and unsecured business loans supported by a personal guarantee) made by Prospect Hill Trust ("PHT"), in the short term, and by making new loans to Brethren Community businesses in the medium to long term, in addition to making investments in other fixed income investments and cash and cash like investments.

There is a risk that the borrowers from the Commercial Credit Fund may not be able to meet their financial obligations to pay interest and/or principal in respect of loans made by the Commercial Credit Fund. This may then impact upon the Fund's performance and the value of its units.

Credit risk is managed and monitored on an ongoing basis by the Investment Manager via the investment and credit committee for the Commercial Credit Fund. This committee has been established by the Investment Manager to:

- oversee investment and credit related risks to ensure that exposure to these risks remains within the committee's risk appetite and is generally consistent with the risk appetite of investors;
- maintain an appropriate lending and credit policy; and
- assist the trustee of the Commercial Credit Fund in its investment governance including developing, selecting, managing and monitoring investments and investment strategies consistent with the lending and credit policy.

The Fund is also exposed to counterparty credit risk on cash and cash equivalents.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits are approved; and
- ensuring that transactions are undertaken with a large number of counterparties.

There were no significant concentrations of credit risk to counterparties at 31 December 2018.

(b) Market risk

Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market variables such as interest rates. Market risk is managed and monitored on an ongoing basis by the Investment Manager.

Notes to the Financial Statements
4. Financial Risk Management Objectives and Policies (continued)
(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

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 loans and other cash and cash like investments held by the Commercial Credit Fund in which the Fund invests. Therefore, the sensitivity analysis below may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

The table below summarises the Fund's exposure to interest rate risk:

		Fixed interest rate					
	Floating interest rate	3 months or less	4 to 12 months	1 to 5 years	over 5 years	Non-interest bearing	Total
31 December 2018	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash and cash equivalents	1,772	-	-	-	-	-	1,772
Distribution receivable	-	-	-	-	-	121,801	121,801
GST receivable	-	-	-	-	-	3,306	3,306
Financial assets held at fair value through profit and loss	-	-	-	-	-	38,677,706	38,677,706
Redemption receivable	-	-	-	-	-	699,000	699,000
Total assets	1,772	-	-	-	-	39,501,813	39,503,585
Liabilities							
Distribution payable	-	-	-	-	-	101,094	101,094
Redemption payable	-	-	-	-	-	699,000	699,000
Trade and other payables	-	-	-	-	-	25,678	25,678
Total liabilities	-	-	-	-	-	825,772	825,772
Net exposure	1,772	-	-	-	-	38,676,041	38,677,813

The following table demonstrates the sensitivity of the Fund's net assets attributable to unitholders and operating profit to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on a reasonable volatility of change in the AUD cash interest rate over the coming year. However, actual movements in the risk variables may be greater or less than anticipated. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Interest rate risk Impact on operating profit/Net assets attributable to unitholders	
	+25bps	-25bps
	\$	\$
31 December 2018	4	(4)

Notes to the Financial Statements
4. Financial Risk Management Objectives and Policies (continued)
(d) Liquidity risk

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 monthly cash redemptions of its units. Its policy is therefore to require the Commercial Credit Fund to keep up to 10% of its investments in cash and cash-like investments so that it can meet withdrawal requests that it might receive from the Fund. The Fund will make withdrawal requests from the Commercial Credit Fund when investors seek to withdraw their investments in the Fund. The Fund may not always be able to meet investors' withdrawal requests. This could occur if particular assets which are held aside to meet withdrawal requests are not adequate to meet the level of demand for withdrawals or the Fund is unable to liquidate its investments in the Commercial Credit Fund in time. The Responsible Entity may consider that there are not enough liquid assets held by the Fund at that point, and in that case, withdrawals on request will cease.

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 discretion is in the best interests of unitholders. The Fund did not reject any applications or withhold any redemptions during the period ended 31 December 2018.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period from 31 December 2018 to the contractual maturity date. Units are redeemed on demand at the unitholder's option. However, the directors of the Responsible Entity do 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.

	On demand	3 months or less	4 to 12 months	1 to 5 years	over 5 years	Total
	\$	\$	\$	\$	\$	\$
31 December 2018						
Distribution payable		101,094	-	-	-	101,094
Redemption payable		699,000	-	-	-	699,000
Payables		25,678	-	-	-	25,678
Net assets attributable to unitholders	38,677,813	-	-	-	-	38,677,813
Contractual cash flows	38,677,813	825,772	-	-	-	39,503,585

The amounts in the table are the contractual undiscounted cash flows. Balances equal their carrying values, as the impact of discounting is not significant.

5. Distribution Income

	11 December 2017 to 31 December 2018 \$
Distribution from UBT Invest Commercial Credit Fund	613,039
Total for the financial period	613,039

Notes to the Financial Statements
6. Administration Expenses

	11 December 2017 to 31 December 2018 \$
Responsible entity fees	18,839
Registry fees	26,297
Custody fees	8,977
Administration and accounting fees	10,250
Audit fees	9,405
Other administration expenses	3,167
Total for the financial period	76,935

7. Cash and Cash Equivalents

- (a) Cash and cash equivalents include cash on hand and cash at banks. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	31 December 2018 \$
Cash at bank	1,772
Balance at the end of the financial period	1,772

- (b) Reconciliation of net gain attributable to unitholders before finance costs for the period to net cash flows provided by operating activities:

	11 December 2017 to 31 December 2018 \$
Net gain attributable to unitholders	506,058
Net payment for purchase and sale of financial assets	(13,385,500)
Change in assets and liabilities:	
Net changes in current assets	(125,107)
Net changes in trade and other payables	25,678
Net cash used in operating activities	(12,978,871)

- (c) Non cash financing activities

During the period, a total of 25,991,206 units with a total issue price of \$25,991,206 were issued by the Fund.

These represented the transfer of interests by unitholders in Prospect Hill Trust ("PHT").

The consideration received was an equivalent number of units issued in the Commercial Credit Fund which itself received loans assigned from PHT.

Notes to the Financial Statements
8. Distribution Receivable

	31 December 2018 \$
Distribution receivable from UBT Invest Commercial Credit Fund	121,801
Balance at the end of the financial period	121,801

9. Financial Assets held at fair value through profit or loss

	31 December 2018 \$
Investment in UBT Invest Commercial Credit Fund	38,677,706
Balance at the end of the financial period	38,677,706

10. Fair value measurement

The Fund measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Fund has no assets and 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 measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Level 1:

Financial instruments are valued by reference to quoted prices in an active market(s) for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:

Financial instruments are valued using inputs other than quoted prices covered in Level 1. These other inputs include quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The inputs included in this level encompass quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities. Financial instruments that are valued using other inputs that are not quoted prices but are observable for the assets or liabilities also fall into this categorisation.

Level 3:

Financial instruments that have been valued, in whole or in part, by using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

Notes to the Financial Statements
10. Fair value measurement (continued)

The following table shows an analysis of financial instruments held at 31 December 2018 recorded at fair value and presented by level of the fair value hierarchy:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets designated at fair value through profit or loss:				
Investment in UBT Invest Commercial Credit Fund	-	-	38,677,706	38,677,706
Total	-	-	38,677,706	38,677,706

Transfer between levels

There have been no transfers between levels for the period ended 31 December 2018.

Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

11. Trade and Other Payables

	31 December 2018 \$
Accrued charges	22,338
Loan from UBT Invest Commercial Credit Fund	3,340
Balance at the end of the financial period	25,678

Notes to the Financial Statements
12. Net Assets Attributable to Unitholders

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

	31 December 2018	
	No. of Units	\$
3 month class		
Opening balance as at 11 December 2017	-	-
Applications for units by unitholders	5,167,411	5,167,411
Redemption of units	(1,304,000)	(1,304,000)
Distributions paid to unitholders	-	(47,986)
Net gain attributable to unitholders	-	47,996
Balance at the end of the financial period	3,863,411	3,863,421
12 month class		
Opening balance as at 11 December 2017	-	-
Applications for units by unitholders	35,020,295	35,020,295
Redemption of units	(206,000)	(206,000)
Distributions paid to unitholders	-	(457,965)
Net gain attributable to unitholders	-	458,062
Balance at the end of the financial period	34,814,295	34,814,392
Total		
Opening balance as at 11 December 2017	-	-
Applications for units by unitholders	40,187,706	40,187,706
Redemption of units	(1,510,000)	(1,510,000)
Distributions paid to unitholders	-	(505,951)
Net gain attributable to unitholders	-	506,058
Total balance at the end of the financial period	38,677,706	38,677,813

13. Capital Management

As a result of the ability to issue, redeem and transfer units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of redeemable units. The Fund's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in the Fund's PDS;
- to achieve consistent returns while safeguarding capital;
- to maintain sufficient liquidity to meet the ongoing expenses of the Fund; and
- to maintain sufficient size to make the operation of the Fund cost-efficient.

Notes to the Financial Statements

14. Related Party Transactions

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

*(a) Key management personnel**(i) Directors*

The key management personnel of the Responsible Entity, during the period ended 31 December 2018 are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director (resigned 26 October 2018)
Sarah Wiesener	Executive Director (appointed 26 October 2018) and Company Secretary

Key management personnel of the Responsible Entity and their associated entities did not hold any units in the Fund during the period and as at 31 December 2018.

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel at any time during the period.

No fees or remuneration were paid directly to the key management personnel from the Fund during the financial period ended 31 December 2018.

*(b) Responsible Entity/Custodian/Investment Manager fees**(i) Responsible entity fees*

The following fees were payable to the Responsible Entity (which also acts as the Fund's Custodian) out of the Fund's assets during the period ended 31 December 2018:

	31 December 2018 \$
Total Responsible Entity fees accrued for the period	18,839
Responsible Entity fees payable	3,135
Custody fees for the period paid by the Fund to the Custodian	8,977
Custody fees payable to the Custodian at the end of the reporting period	1,538

(ii) Investment Manager fees

The following fees were payable to the Investment Manager out of the Fund's assets during the period ended 31 December 2018:

	31 December 2018 \$
Total Investment Manager fees accrued for the period	25,531
Investment Manager fees payable	4,185

Notes to the Financial Statements
14. Related Party Transactions (continued)
(c) Other fees paid to related parties

The Responsible Entity has appointed third party service providers to the Fund, some of whom are related parties of the Responsible Entity. The following entities which are related parties of the Responsible Entity, have provided services to the Fund during the financial period ended 31 December 2018:

- One Registry Services Pty Limited (ACN 141 757 360) – unit registry services

The transactions during the period and amounts payable as at 31 December 2018 between the Fund and these related party service providers were as follows:

	31 December 2018 \$
Registry fees for the period paid by the Fund to the Unit Registrar	26,297
Registry fees payable to the Unit Registrar at the end of the reporting period	4,076

(d) Investment in Unlisted Managed Investment Scheme

The Fund has an investment in UBT Invest Commercial Credit Fund ("Commercial Credit Fund"). One LS Pty Limited ("Trustee") is the Trustee of Commercial Credit Fund and is a subsidiary of One Investment Group ("OIG"). The Responsible Entity of the Fund is also a subsidiary of OIG. The Fund owns all units in the Commercial Credit Fund, with the exception of 1 residual unit.

The transactions during the period and balances as at 31 December 2018 between the Fund and Commercial Credit Fund are as disclosed in notes 5, 8, 9, 10 and 11.

The transactions during the period and balances as at 31 December 2018 between Commercial Credit Fund and related parties of the Fund are as follows:

	31 December 2018 \$
Trustee fees for the period paid by Commercial Credit Fund to the Trustee	12,737
Trustee fees payable by Commercial Credit Fund to the Trustee	2,090
Investment Manager fees for the period paid by Commercial Credit Fund to the Investment Manager	102,123
Investment Manager fees payable by Commercial Credit Fund to the Investment Manager	16,741
Custody fees for the period paid by Commercial Credit Fund to the Responsible Entity	11,969
Custody fees payable by Commercial Credit Fund to the Responsible Entity	2,050
Registry fees for the period paid by Commercial Credit Fund to One Registry Services Pty Limited	2,950
Registry fees payable by Commercial Credit Fund to One Registry Services Pty Limited	873

(e) Other Key Management Personnel

The key management personnel of the Investment Manager at any time during the financial period are:

Name	Title
Brett Craig	Director

Key management personnel of the Investment Manager and their associated entities did not hold any units in the Fund during the period and as at 31 December 2018.

Notes to the Financial Statements

14. Related Party Transactions (continued)

(f) Other Key Management Personnel compensation

Key management personnel of the Investment Manager have not been compensated out of the Fund for the period ended 31 December 2018.

15. Auditor's Remuneration

**31 December
2018
\$**

Crowe Horwath
Auditing of the financial report

9,405

The auditor's remuneration was borne by the Fund in accordance with the Fund's Constitution. There were no other services provided by the auditor to the Fund.

16. Commitments and Contingencies

There were no commitments or contingencies at 31 December 2018.

17. Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial period ended 31 December 2018 that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.