

**ANNUAL REPORT  
RETAIL MORTGAGE TRUSTS**

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FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2018



## ANNUAL REPORTS FOR THE FINANCIAL YEAR ENDED JUNE 2018

THE SCHEMES LISTED IN THIS BOOKLET ARE NOTED BELOW.

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## Directors' Report for the financial year ended 30 June 2018

The Directors of OnePath Funds Management Limited, the Responsible Entity of the following suspended Managed Investment Schemes (the 'Schemes'), present their report together with the financial report of the Schemes for the financial year ended 30 June 2018, and the report of the auditor on the Schemes.

1. ANZ Mortgage Fund
2. ANZ OA OnePath Income Plus Trust
3. ANZ OA OnePath Mortgage Trust
4. Income Plus Trust
5. Monthly Income Trust
6. OnePath AJ Mortgage Fund
7. OnePath Mortgage Trust No.2

### Responsible Entity

The Responsible Entity of the Schemes is OnePath Funds Management Limited. The registered office and principal place of business of the Responsible Entity and the Schemes is Level 23, 242 Pitt Street, Sydney, NSW 2000.

The Directors of OnePath Funds Management Limited during or since the end of the financial year are:

Name	Position Held	Date Appointed	Date Resigned
A H Chonowitz	Non-Executive Director	Appointed 1 March 2015	
L M Fricke	Non-Executive Director	Appointed 7 September 2017	
P G Mullin	Executive Director	Appointed 1 March 2015	
S J Chapman	Non-Executive Director, Chairman	Appointed 1 August 2011	
V S Weekes	Non-Executive Director	Appointed 1 May 2011	Resigned 8 September 2017

### Principal activities

The Schemes are registered Managed Investment Schemes domiciled in Australia.

The Schemes invest into an unlisted unit trust which has a zero unit price.

The Schemes did not have any employees during the year.

### Review of operations and results

The results of operations of the Schemes are disclosed in the Statements of Comprehensive Income.

The Board of OnePath Funds Management Limited approved a resolution on 28 May 2015 to terminate the Schemes. As a result of this resolution the financial statements have been prepared on a basis other than going concern. The Schemes' investment into the Mortgage Pool is valued at zero at the reporting date.

### Fees paid to and investments held by the Responsible Entity or its associates

Fees paid and payable to the Responsible Entity and its associates out of the Schemes' property during the year are disclosed in Note 10.4 Responsible Entity fees.

No fees were paid out of the Schemes' property to the Directors of the Responsible Entity during the year. Related party investments held in the Schemes as at the end of the financial year are disclosed in Note 10 Related parties.

### Interests in the Schemes

The movements in units on issue in the Schemes during the year are disclosed in Note 5 Net assets attributable to unitholders.

The value of the Schemes' assets and liabilities are disclosed in the Statements of Financial Position and derived using the basis set out in Note 2 Basis of preparation.

### Significant changes in the state of affairs

#### Taxation Changes:

The Schemes have irrevocably elected into the Attribution Managed Investment Trust ("AMIT") tax regime effective 1 July 2017. As a result, the units in the Schemes have been reclassified from a financial liability to equity on 1 July 2017. Refer to Note 4 Attribution Managed Investment Trust regime and Note 5 Net assets attributable to unitholders for further detail.

This significant event did not impact individual unitholder balances or units.

#### Strategic review and proposed sale of Wealth business:

In November 2016, Australia and New Zealand Banking Group Limited (ANZ), the ultimate parent company of the Responsible Entity, announced the results of the strategic review of its Wealth business in Australia which includes, the OnePath Pension and Investments (OnePath P&I), Aligned Dealer Groups (ADG) and Insurance businesses. The review concluded that while distribution of high quality Wealth products and services should remain a core component of the ANZ's overall customer proposition, ANZ does not need to be a manufacturer or provider of those goods and services.

On 17 October 2017, ANZ announced the proposed sale of the OnePath P&I and ADG businesses to IOOF Holdings Limited and Australian Wealth Management Limited (IOOF entities) which includes the Responsible Entity. On 12 December 2017, ANZ announced the proposed sale of the OnePath life insurance business to Zurich Financial Services Australia Limited (Zurich). The proposed sale of OnePath P&I, which includes the Responsible Entity, to IOOF is expected to be completed in March 2019.

This significant event did not impact individual unitholder balances or units.

### Likely developments and expected results of operations

The Schemes were approved to terminate by a Board resolution on 28 May 2015. Termination of the Schemes will not be immediate due to outstanding litigation on past loans still to be resolved within the Mortgage Pool investment.

Further information has not been included in this report to avoid the disclosure of information that may result in unreasonable prejudice to the Schemes.

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## **Directors' Report for the financial year ended 30 June 2018**

### **Environmental regulation**

The operations of the Schemes were not subject to any significant environmental regulation under either Commonwealth, State or Territory legislation.

### **Events subsequent to balance date**

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Schemes disclosed in the Statements of Financial Position as at 30 June 2018 or on the results and cash flows of the Schemes for the financial year ended on that date.

### **Indemnities and insurance premiums for officers and auditor**

Indemnification:

Under the Schemes' Constitutions, the Responsible Entity, including its officers and employees, is generally indemnified out of the Schemes' assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Schemes.

The Responsible Entity has not indemnified any auditor of the Schemes.

Insurance premiums:

No insurance premiums are paid out of the assets of the Schemes in relation to insurance cover for the Responsible Entity, its officers and employees or the auditor of the Schemes.

### **True and fair view**

The Financial Statements have been prepared in accordance with applicable accounting standards to give a true and fair view of the state of affairs of the Schemes at reporting date.

### **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 29 and forms part of the Directors' Report for the financial year ended 30 June 2018.

This report is made in accordance with a resolution of the Directors of OnePath Funds Management Limited.



**Director**

Sydney

6 September 2018

**Financial Report**  
**Financial Statements - Statements of Financial Position**  
**as at 30 June 2018**

	Note	1. ANZ Mortgage Fund†		2. ANZ OA OnePath Income Plus Trust†		3. ANZ OA OnePath Mortgage Trust†		4. Income Plus Trust†	
		30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Assets</b>									
Cash and cash equivalents		-	-	-	-	-	-	-	-
Financial assets held at fair value through profit or loss	<b>6</b>	-	-	-	-	-	-	-	-
<b>Total assets</b>		-	-	-	-	-	-	-	-
<b>Liabilities</b>									
Distribution payable		-	-	-	-	-	-	-	-
<b>Total liabilities (excluding net assets attributable to unitholders - Liability)</b>		-	-	-	-	-	-	-	-
<b>Total net assets attributable to unitholders - Equity*</b>	<b>5</b>	-	-	-	-	-	-	-	-
<b>Total net assets attributable to unitholders - Liability*</b>	<b>5</b>	-	-	-	-	-	-	-	-

The Statements of Financial Position should be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 25.

\* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

† The Scheme holds units in a related unlisted unit trust which was valued at zero at reporting date.

**Financial Report**  
**Financial Statements - Statements of Financial Position**  
**as at 30 June 2018**

	Note	5. Monthly Income Trust†		6. OnePath AJ Mortgage Fund†		7. OnePath Mortgage Trust No.2†	
		30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Assets</b>							
Cash and cash equivalents		-	-	-	-	-	-
Financial assets held at fair value through profit or loss	<b>6</b>	-	-	-	-	-	-
<b>Total assets</b>		-	-	-	-	-	-
<b>Liabilities</b>							
Distribution payable		-	-	-	-	-	-
<b>Total liabilities (excluding net assets attributable to unitholders - Liability)</b>		-	-	-	-	-	-
<b>Total net assets attributable to unitholders - Equity*</b>	<b>5</b>	-	-	-	-	-	-
<b>Total net assets attributable to unitholders - Liability*</b>	<b>5</b>	-	-	-	-	-	-

The Statements of Financial Position should be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 25.

\* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

† The Scheme holds units in a related unlisted unit trust which was valued at zero at reporting date.

**Financial Report**  
**Financial Statements - Statements of Comprehensive Income**  
**for the financial year ended 30 June 2018**

	Note	1. ANZ Mortgage Fund		2. ANZ OA OnePath Income Plus Trust		3. ANZ OA OnePath Mortgage Trust		4. Income Plus Trust	
		30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Investment income</b>									
Unit trust distribution income		-	-	-	-	-	-	-	-
Net change in fair value of investments		-	-	-	-	-	-	-	-
<b>Net investment income/(loss)</b>		-	-	-	-	-	-	-	-
<b>Expenses</b>									
Responsible Entity fees		-	-	-	-	-	-	-	-
<b>Operating expenses before finance costs</b>		-	-	-	-	-	-	-	-
<b>Profit/(loss) from operating activities</b>		-	-	-	-	-	-	-	-
<b>Finance costs</b>									
Distributions to unitholders*		-	-	-	-	-	-	-	-
<b>Change in net assets attributable to unitholders - Liability/</b>									
<b>Total comprehensive income*</b>	<b>5</b>	-	-	-	-	-	-	-	-
<b>Profit/(loss) for the financial year/</b>									
<b>Total comprehensive income*</b>	<b>5</b>	-	-	-	-	-	-	-	-

The Statements of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 25.

\* Effective from 1 July 2017, the Schemes' units have been reclassified from financial liability to equity. As a result, equity transactions, including distributions (previously shown as Finance costs) to unitholders have been disclosed in the Statements of Changes in Equity for the financial year ended 30 June 2018. The Change in net assets attributable to unitholders have been reclassified in the Statements of Comprehensive Income as Profit/(loss) for the financial year and Total comprehensive income. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

**Financial Report**  
**Financial Statements - Statements of Comprehensive Income**  
**for the financial year ended 30 June 2018**

		5. Monthly Income Trust		6. OnePath AJ Mortgage Fund		7. OnePath Mortgage Trust No.2	
	Note	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
		\$	\$	\$	\$	\$	\$
<b>Investment income</b>							
Unit trust distribution income		-	-	-	-	-	-
Net change in fair value of investments		-	-	-	-	-	-
<b>Net investment income/(loss)</b>		-	-	-	-	-	-
<b>Expenses</b>							
Responsible Entity fees		-	-	-	-	-	-
<b>Operating expenses before finance costs</b>		-	-	-	-	-	-
<b>Profit/(loss) from operating activities</b>		-	-	-	-	-	-
<b>Finance costs</b>							
Distributions to unitholders*		-	-	-	-	-	-
<b>Change in net assets attributable to unitholders - Liability/</b>							
<b>Total comprehensive income*</b>	<b>5</b>	-	-	-	-	-	-
<b>Profit/(loss) for the financial year/</b>							
<b>Total comprehensive income*</b>	<b>5</b>	-	-	-	-	-	-

The Statements of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 25.

\* Effective from 1 July 2017, the Schemes' units have been reclassified from financial liability to equity. As a result, equity transactions, including distributions (previously shown as Finance costs) to unitholders have been disclosed in the Statements of Changes in Equity for the financial year ended 30 June 2018. The Change in net assets attributable to unitholders have been reclassified in the Statements of Comprehensive Income as Profit/(loss) for the financial year and Total comprehensive income. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

**Financial Report**  
**Financial Statements - Statements of Changes in Equity**  
**for the financial year ended 30 June 2018**

	Note	1. ANZ Mortgage Fund		2. ANZ OA OnePath Income Plus Trust		3. ANZ OA OnePath Mortgage Trust		4. Income Plus Trust	
		30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Total equity at the beginning of the financial year</b>		-	-	-	-	-	-	-	-
Reclassification due to AMIT tax regime implementation*	5	-	-	-	-	-	-	-	-
<b>Profit/(loss) for the financial year/Total comprehensive income</b>		-	-	-	-	-	-	-	-
<b>Transactions with unitholders</b>									
Applications		-	-	-	-	-	-	-	-
Redemptions		-	-	-	-	-	-	-	-
Distributions to unitholders		-	-	-	-	-	-	-	-
<b>Total transactions with unitholders</b>		-	-	-	-	-	-	-	-
<b>Total Equity at the end of the financial year*</b>	5	-	-	-	-	-	-	-	-

  

	Note	5. Monthly Income Trust		6. OnePath AJ Mortgage Fund		7. OnePath Mortgage Trust No.2	
		30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Total equity at the beginning of the financial year</b>		-	-	-	-	-	-
Reclassification due to AMIT tax regime implementation*	5	-	-	-	-	-	-
<b>Profit/(loss) for the financial year/Total comprehensive income</b>		-	-	-	-	-	-
<b>Transactions with unitholders</b>							
Applications		-	-	-	-	-	-
Redemptions		-	-	-	-	-	-
Distributions to unitholders		-	-	-	-	-	-
<b>Total transactions with unitholders</b>		-	-	-	-	-	-
<b>Total Equity at the end of the financial year*</b>	5	-	-	-	-	-	-

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 25.

\* Effective from 1 July 2017, the Schemes' units have been reclassified from financial liability to equity. Refer to Note 4 Attribution Managed Investment Trust regime for further detail. As a result, equity transactions, including distributions to unitholders have been disclosed in the above statements for the financial year ended 30 June 2018.

**Financial Report**  
**Financial Statements - Statements of Cash Flows**  
**for the financial year ended 30 June 2018**

	Note	1. ANZ Mortgage Fund		2. ANZ OA OnePath Income Plus Trust		3. ANZ OA OnePath Mortgage Trust		4. Income Plus Trust	
		30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Cash flows from operating activities:</b>									
Interest received		-	1	-	7	-	1	-	2
Unit trust distribution received		-	-	-	-	-	-	-	-
Operating expenses paid		-	(549)	-	(4,558)	-	(846)	-	(1,040)
Proceeds from sale of investments		-	-	-	-	-	-	-	-
Purchase of investments		-	-	-	-	-	-	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>7</b>	<b>-</b>	<b>(548)</b>	<b>-</b>	<b>(4,551)</b>	<b>-</b>	<b>(845)</b>	<b>-</b>	<b>(1,038)</b>
<b>Cash flows from financing activities:</b>									
Proceeds from issue of units		-	-	-	-	-	-	-	-
Payments for redemption of units		-	-	-	-	-	-	-	-
Distributions paid		-	-	-	-	-	-	-	-
<b>Net cash flows from/(used in) financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		-	(548)	-	(4,551)	-	(845)	-	(1,038)
Cash and cash equivalents at the beginning of the financial year		-	548	-	4,551	-	845	-	1,038
<b>Cash and cash equivalents at the end of the financial year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Statements of Cash Flows should be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 25.

**Financial Report**  
**Financial Statements - Statements of Cash Flows**  
**for the financial year ended 30 June 2018**

	Note	5. Monthly Income Trust		6. OnePath AJ Mortgage Fund		7. OnePath Mortgage Trust No.2	
		30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Cash flows from operating activities:</b>							
Interest received		-	-	-	-	-	-
Unit trust distribution received		-	-	-	-	-	-
Operating expenses paid		-	(54)	-	(77)	-	(297)
Proceeds from sale of investments		-	-	-	-	-	-
Purchase of investments		-	-	-	-	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>7</b>	<b>-</b>	<b>(54)</b>	<b>-</b>	<b>(77)</b>	<b>-</b>	<b>(297)</b>
<b>Cash flows from financing activities:</b>							
Proceeds from issue of units		-	-	-	-	-	-
Payments for redemption of units		-	-	-	-	-	-
Distributions paid		-	-	-	-	-	-
<b>Net cash flows from/(used in) financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		-	(54)	-	(77)	-	(297)
Cash and cash equivalents at the beginning of the financial year		-	54	-	77	-	297
<b>Cash and cash equivalents at the end of the financial year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Statements of Cash Flows should be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 25.

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## Financial Report

### Notes to the Financial Statements

#### for the financial year ended 30 June 2018

#### 1. Reporting entity

The Schemes included in these financial statements are registered Managed Investment Schemes under the *Corporations Act 2001*. The financial statements of the Schemes are for the financial year ended 30 June 2018.

#### 2. Basis of preparation

##### 2.1 Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Schemes comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors of the Responsible Entity on 6 September 2018.

##### 2.2 Basis of measurement

The Schemes' underlying securities have been valued on a basis other than going concern. Realisation values equate to fair values less costs to sell and settlement value for liabilities.

The Board of OnePath Funds Management Limited approved a resolution on 28 May 2015 to terminate the Schemes. As a result of this resolution the financial statements have been prepared on a basis other than going concern.

##### 2.3 Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Schemes' functional currency.

##### 2.4 Use of estimates and judgements

The preparation of the financial statements which are in conformity with IFRS, 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 and the disclosure of contingent assets and liabilities. 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 judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Note 8.5 Valuation of financial instruments contains information about the estimation of fair values of financial instruments.

The Schemes have been re-assessed as at 30 June 2018 and continued to meet the definition of the investment entities under the definition of AASB 10 *Consolidated Financial Statements* as the following criteria are met:

- The Schemes obtain and manage funds for the purpose of providing investors of the Schemes with investment management services;
- The Schemes have committed to their investors that their business purposes are to invest funds solely for return from capital appreciation and investment income; and
- The Schemes measure and evaluate the performance of their investments on a fair value basis.

##### 2.5 Changes in accounting policies

There were no changes in the accounting policies of the Schemes during the financial year. The introduction of AMIT was due to change in taxation legislation which applied prospectively and was not a change in accounting policy. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

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**Financial Report**  
**Notes to the Financial Statements**  
**for the financial year ended 30 June 2018**

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Schemes have not early adopted any accounting standard.

**3.1 Financial instruments**

**3.1.1 Recognition and initial measurement**

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

Financial assets and financial liabilities held at fair value through the profit or loss are measured initially at fair value, with transaction costs recognised in the Statements of Comprehensive Income. Financial assets or liabilities not held at fair value through profit or loss are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

**3.1.2 Derecognition**

The Schemes derecognise financial assets when the contractual rights to the cash flows from the financial assets expire or they transfer the financial assets and the transfer qualifies for derecognition in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

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

**3.1.3 Classification**

Financial assets and financial liabilities held at fair value through profit or loss are classified as held for trading. These include investments in units in an unlisted unit trust.

**3.1.4 Measurement**

The financial statements have been prepared on a basis other than going concern and as such the Schemes' securities have been valued using realisation values. Realisation values equate to fair values less costs to sell and settlement value for liabilities.

**3.1.5 Offsetting**

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position when, and only when, the Schemes have a legal right to offset the amounts and they intend 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 or loss.

**3.2 Net assets attributable to unitholders**

Net assets attributable to unitholders represent the estimated value of equity available to unitholders upon termination.

**3.3 Terms and conditions of units**

The Schemes included in these financial statements have between one and two classes of units.

Each unit issued within each class confers upon the unitholders an equal interest in the relevant class and is of equal value. The rights, obligations and restrictions attached to each unit in each class are identical in all respects. The classes in the Schemes differ in terms of the Responsible Entity fees charged.

A unit does not confer any interest in any particular asset or investment of the Schemes. Unitholders have various rights under the applicable Constitution and the *Corporations Act 2001*, including the right to have their units redeemed, receive income distributions and attend and vote at meetings of unitholders.

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**Financial Report**  
**Notes to the Financial Statements**  
**for the financial year ended 30 June 2018****3.4 Cash and cash equivalents**

For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents may include cash at bank, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, and bank overdrafts.

**3.5 Interest**

Interest income is recognised in the Statements 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.

**3.6 Distribution income**

Income distributions from unlisted unit trusts are recognised in the Statements of Comprehensive Income on an entitlement basis.

**3.7 Expenses**

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

Interest expense is interest accrued on overdraft balances held during the financial year.

**3.8 Distribution and taxation**

Under the AMIT tax regime effective 1 July 2017, the Schemes are not subject to income tax as taxable income (including assessable realised capital gains) is attributed in full to the unitholders. Refer to Note 4 Attribution Managed Investment Trust regime for further detail. The Schemes fully attribute their taxable income which is calculated in accordance with the Schemes' Constitutions and applicable taxation legislation, to the unitholders on a fair and reasonable basis consistent with their rights. The Responsible Entity's distribution policy is to support all attributed amounts to unitholders with cash.

Financial instruments held at fair value may include unrealised capital gains. Unrealised gains that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised.

**3.9 Finance costs**

Distributions paid and payable on units are recognised in the Statements of Comprehensive Income as finance costs and as a liability until paid for the year ended 30 June 2017. Effective from 1 July 2017, the Schemes' units have been reclassified from financial liability to equity. As a result, equity transactions, including distributions to unitholders have been disclosed in the Statements of Changes in Equity for the financial year ended 30 June 2018. Refer to Note 4 Attribution Managed Investment Trust regime for further detail. Distributions paid are included in cash flows from financing activities in the Statements of Cash Flows.

**3.10 Profit/(loss) for the financial year**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders were recognised in the Statements of Comprehensive Income for the year ended 30 June 2017. Effective from 1 July 2017, the Schemes' units have been reclassified from financial liability to equity. As a result, equity transactions, including distributions to unitholders have been disclosed in the Statements of Changes in Equity for the financial year ended 30 June 2018. The Change in net assets attributable to unitholders have been reclassified in the Statements of Comprehensive Income as Profit/(loss) for the financial year ended 30 June 2018. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

**3.11 Goods and services tax**

Expenses incurred by the Schemes are recognised net of the amount of GST recoverable from the ATO as 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 Statements of Financial Position. Cash flows relating to GST are included in the Statements of Cash Flows on a gross basis.

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#### 3.12 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations were available for early adoption but have not been applied by the Schemes in these financial statements:

- AASB 9 *Financial Instruments (and applicable amendments)* replacing AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 is applicable for annual reporting periods beginning on or after 1 January 2018. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has also introduced revised rules around hedge accounting and impairment. The standard is available for early adoption. Management does not expect this standard to have a significant impact on the recognition and measurement of the Schemes' financial instruments as they are carried at fair value through profit or loss. It is not expected that the classification of any financial assets or liabilities will change as a result of adopting AASB 9. The derecognition rules have not been changed from the previous requirements and the Schemes do not apply hedge accounting.
- AASB 15 *Revenue from Contracts with Customers*. AASB 15 is applicable for reporting periods beginning on or after 1 January 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time and over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This is likely to have a minimal impact to the Schemes if any, due to the nature of the revenue (investment) not falling within the scope of the standard.

Management expects changes in the Schemes' accounting policies due to the adoption of the above accounting standards however no significant changes to the amounts recognised within the financial statements are expected.

#### 4. Attribution Managed Investment Trust regime

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. The Schemes' previous constitutions provided each unitholder with a present entitlement to trust income and contained an obligation to distribute income each year. Under AMIT regime, the allocation of taxable incomes to unitholders is based on "attribution on a fair and reasonable basis". In order to allow the Schemes to elect into the AMIT tax regime, the Schemes' constitutions have been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Schemes are therefore no longer contractually obligated to pay distributions. Consequently the units in the Schemes have been reclassified from a financial liability to equity on 1 July 2017.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

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

As at 30 June 2017, net assets attributable to unitholders were classified as a financial liability. Effective from 1 July 2017, the Schemes' units are classified as equity as they satisfied all the above criteria. As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Schemes' distributions are no longer classified as finance cost in the Statements of Comprehensive Income, but rather as distributions in the Statements of Changes in Equity. Refer to Note 5 Net assets attributable to unitholders for additional disclosures.

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#### 5. Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Schemes shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017 the Schemes classified their net assets attributable to unitholders as liabilities in accordance with AASB 132. On 1 July 2017, the Schemes have elected into the AMIT tax regime. The Schemes' constitutions have been amended and they no longer have a contractual obligation to pay distributions to unitholders. Therefore, the units on issue of the Schemes meet the criteria set out under AASB 132 for recognition as equity and are classified as such from 1 July 2017. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Schemes' distributions are no longer classified as finance cost in the Statements of Comprehensive Income, but rather as distributions in the Statements of Changes in Equity.

Movements in net assets attributable to unitholders equity/liability and movements in the number of units attributable to unitholders equity/liability, of the Schemes during the year are as follows:

	1. ANZ Mortgage Fund		2. ANZ OA OnePath Income Plus Trust		3. ANZ OA OnePath Mortgage Trust		4. Income Plus Trust	
	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Opening balance</b>	-	-	-	-	-	-	-	-
Reclassification due to AMIT tax regime implementation*	-	-	-	-	-	-	-	-
Applications	-	-	-	-	-	-	-	-
Redemptions	-	-	-	-	-	-	-	-
Distributions to unitholders	-	-	-	-	-	-	-	-
Change in net assets attributable to unitholders	-	-	-	-	-	-	-	-
Profit/(loss) for the financial year/Total comprehensive income	-	-	-	-	-	-	-	-
<b>Closing balance*</b>	-	-	-	-	-	-	-	-
	30 June 2018 Units	30 June 2017 Units	30 June 2018 Units	30 June 2017 Units	30 June 2018 Units	30 June 2017 Units	30 June 2018 Units	30 June 2017 Units
Opening balance	153,573,930	153,573,930	333,073,614	333,073,614	232,448,509	232,448,509	75,225,675	75,225,675
Applications	-	-	-	-	-	-	-	-
Redemptions	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>153,573,930</b>	<b>153,573,930</b>	<b>333,073,614</b>	<b>333,073,614</b>	<b>232,448,509</b>	<b>232,448,509</b>	<b>75,225,675</b>	<b>75,225,675</b>

\* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

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**5. Net assets attributable to unitholders**

	5. Monthly Income Trust		6. OnePath AJ Mortgage Fund		7. OnePath Mortgage Trust No.2	
	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
<b>Opening balance</b>	-	-	-	-	-	-
Reclassification due to AMIT tax regime implementation*	-	-	-	-	-	-
Applications	-	-	-	-	-	-
Redemptions	-	-	-	-	-	-
Distributions to unitholders	-	-	-	-	-	-
Change in net assets attributable to unitholders	-	-	-	-	-	-
Profit/(loss) for the financial year/Total comprehensive income	-	-	-	-	-	-
<b>Closing balance*</b>	-	-	-	-	-	-
	30 June 2018 Units	30 June 2017 Units	30 June 2018 Units	30 June 2017 Units	30 June 2018 Units	30 June 2017 Units
Opening balance	91,151,404	91,151,404	9,675,214	9,675,214	115,595,927	115,595,927
Applications	-	-	-	-	-	-
Redemptions	-	-	-	-	-	-
<b>Closing balance</b>	<b>91,151,404</b>	<b>91,151,404</b>	<b>9,675,214</b>	<b>9,675,214</b>	<b>115,595,927</b>	<b>115,595,927</b>

\* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 4 Attribution Managed Investment Trust regime for further detail.

**6. Financial assets and liabilities**

The Schemes held no other financial assets and liabilities except units in a suspended related unlisted unit trust which was valued at zero at the current and comparative year end.

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**7. Reconciliation of cash flows from operating activities**

The tables below detail the reconciliation of cash flows from operating activities for the year as follows:

	1. ANZ Mortgage Fund		2. ANZ OA OnePath Income Plus Trust		3. ANZ OA OnePath Mortgage Trust		4. Income Plus Trust	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Profit/(Loss) from operating activities</b>	-	-	-	-	-	-	-	-
<b>Changes in operating assets and liabilities:</b>								
Net change in receivables	-	1	-	7	-	1	-	2
Net change in payables	-	(549)	-	(4,558)	-	(846)	-	(1,040)
<b>Net cash flows from/(used in) operating activities</b>	-	<b>(548)</b>	-	<b>(4,551)</b>	-	<b>(845)</b>	-	<b>(1,038)</b>

	5. Monthly Income Trust		6. OnePath AJ Mortgage Fund		7. OnePath Mortgage Trust No.2	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$	\$	\$	\$	\$	\$
<b>Profit/(Loss) from operating activities</b>	-	-	-	-	-	-
<b>Changes in operating assets and liabilities:</b>						
Net change in receivables	-	-	-	-	-	-
Net change in payables	-	(54)	-	(77)	-	(297)
<b>Net cash flows from/(used in) operating activities</b>	-	<b>(54)</b>	-	<b>(77)</b>	-	<b>(297)</b>

**8. Financial risk management**

**8.1 Introduction and overview**

The Schemes are exposed to a variety of financial risks from investments in financial instruments. These risks include:

- credit risk
- liquidity risk
- market risk

This note presents information about the Schemes' exposure to each of the above risks, the Schemes' objectives, policies and processes for measuring and managing risks, and the Schemes' management of unitholder funds.

**8.1.1 Risk management framework**

The Schemes maintain positions in financial instruments in accordance with the PDSs. The Schemes' investment portfolios comprise an unlisted unit trust valued at zero.

**8.2 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 Schemes, resulting in a financial loss to the Schemes. It arises principally from cash and cash equivalents.

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The Schemes' policy over credit risk was to minimise its exposure to counterparties with higher risk of default by dealing only with counterparties meeting the credit standards set out in the Schemes' PDSs. Credit risk was further minimised by managing the assets of the Schemes within credit rating limits.

**8.2.2 Cash and cash equivalents**

Maximum credit risk exposure from cash and cash equivalents is represented by the carrying amount on the Statements of Financial Position. As at the current and comparative reporting dates, the Schemes had no investment in cash and cash equivalents. Hence the Schemes were not exposed to credit risk.

**8.2.3 Settlement risk**

The Schemes' activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

**8.3 Liquidity risk**

Liquidity risk is the risk that the Schemes 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 Schemes.

**8.3.1 Management of liquidity risk**

The Schemes' liquidity risk is managed by the Responsible Entity and as at 30 June 2018, the Schemes hold investments in a suspended unlisted unit trust which is carried at zero value. As a result, the Schemes may not be able to liquidate their investments due to redemption restrictions.

**8.3.2 Liquidity risk exposure**

As at the current and comparative reporting dates, the Schemes had no financial instruments in a liability position. Hence the Schemes were not exposed to liquidity risk.

**8.4 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Schemes' income or the value of their 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.

**8.4.1 Interest rate risk**

The Schemes are exposed to the risk that the value or future cash flows of their financial instruments will fluctuate as a result of changes in market interest rates. As at the current and comparative reporting dates, the Schemes had no investment in cash and cash equivalents. Hence the Schemes were not exposed to interest rate risk.

**8.4.2 Other price risk**

At reporting date other price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The changes in the value of the Schemes' financial instruments are recognised in the Statements of Comprehensive Income in the line item 'Net change in fair value of investments'.

**8.4.3 Exposure and Sensitivity analysis - other price risk**

The other price risk exposure of financial instruments is equal to the value of financial instruments as reported in the Statements of Financial Position and in Note 6 Financial assets and liabilities.

A sensitivity analysis reflects how 'Net assets attributable to unitholders' and 'Profit/(loss) for the year/Total comprehensive income' (2017: 'Changes in net assets attributable to unitholders/Total comprehensive income') would have been affected by changes in the relevant risk at the end of the reporting period.

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**8.4.4 Other price risk - sensitivity analysis**

The Schemes' other price downside risk exposure is nil as the Schemes held no other financial instruments except units in a suspended unlisted unit trust which was valued at zero at the current and comparative year end. Hence a movement in market prices may only have an upside impact on the Schemes, if the underlying instrument was revalued above a zero unit price.

**8.5 Valuation of financial instruments**

The Schemes' accounting policy on fair value measurement is discussed in Note 3.1.4 Measurement.

The Schemes measure value using the following fair value hierarchy that reflect the significance of the inputs used in making the measurements:

**Level 1** - Quoted price (unadjusted) in an active market for an identical instrument.

The quoted market price used for financial assets is the current bid price. The quoted market price used for financial liabilities is the current ask price.

**Level 2** - Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

**Level 3** - Valuation techniques using significant unobservable inputs.

This category includes all instruments that use a valuation technique which includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

The valuation of managed investment schemes included in Level 3 is based on the daily net asset value of the managed investment scheme provided by the investment managers.

The Schemes recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. Changes in Level 2 and 3 fair values are analysed at each reporting date and the reasons for the fair value movements are explained. There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year ended 30 June 2018.

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**8.5.1 Financial instruments hierarchy**

**8.5.1.1 Recurring fair value measurements**

The Schemes invest into the Mortgage Pool, a suspended unlisted unit trust which was valued at zero at the current and comparative year end. The suspended unlisted unit trust is classified as Level 3 in the fair value hierarchy.

**8.5.1.2 Non - recurring fair value measurements**

The Schemes have no assets or liabilities measured on a non - recurring basis in the current reporting period.

**8.6 Movements of Level 3 securities**

Level 3 securities held are securities valued by using inputs not derived from observable market data. Inputs are prices derived from external sources which use various valuation techniques that include unobservable inputs. Transfers are considered when the underlying conditions of the financial instruments change.

There were no movements of Level 3 security for the Schemes as there was no change for Mortgage Pool valuation for the year ended 30 June 2018.

**8.6.1 Inputs used for Level 3 fair value measurement**

The quantitative information about the significant unobservable inputs used in Level 3 fair value measurements for holdings in a suspended scheme includes:

- Valuation of underlying assets of managed investments scheme;
- Suspension of redemption; and
- Liquidity.

Each of the unobservable inputs may have an impact on the other as suspension of underlying investments could materially impact the liquidity and therefore adjustments to the fair value may be required.

The Schemes invest into the Mortgage Pool, which is a suspended unlisted unit trust and valued at zero at the current and comparative period end. Determination of the valuation of the Mortgage Pool units is subject to the outcome of litigation in the Mortgage Pool. Provisions in respect of litigation are subject to significant judgement.

If the price of Mortgage Pool increases from zero, there will be a movement increase greater than 100% in Level 3 assets.

**8.6.2 Level 3 sensitivity analysis of unobservable inputs**

If the Mortgage Pool was revalued above a zero price this would have an upwards movement on profit of the Schemes.

**8.6.3 Valuation processes**

The Responsible Entity's Wealth Investment Governance Forum ('WIGF') reviews valuations of the financial instruments.

On a monthly basis the Responsible Entity's Investment Valuation Forum provides valuation exceptions and reports to WIGF.

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**9. Auditor's remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the Schemes:

	1. ANZ Mortgage Fund		2. ANZ OA OnePath Income Plus Trust		3. ANZ OA OnePath Mortgage Trust		4. Income Plus Trust	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>KPMG</b>								
- Financial statement audit								
Paid by Responsible Entity	4,817	4,963	4,817	4,963	4,817	4,963	4,817	4,963
- Compliance and regulatory								
Paid by Responsible Entity	744	753	744	753	744	753	744	753
<b>Total audit fees paid</b>	<b>5,561</b>	<b>5,716</b>	<b>5,561</b>	<b>5,716</b>	<b>5,561</b>	<b>5,716</b>	<b>5,561</b>	<b>5,716</b>
	5. Monthly Income Trust		6. OnePath AJ Mortgage Fund		7. OnePath Mortgage Trust No.2			
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017		
	\$	\$	\$	\$	\$	\$		
<b>KPMG</b>								
- Financial statement audit								
Paid by Responsible Entity	4,817	4,963	4,817	4,963	4,817	4,963		
- Compliance and regulatory								
Paid by Responsible Entity	744	753	744	753	744	753		
<b>Total audit fees paid</b>	<b>5,561</b>	<b>5,716</b>	<b>5,561</b>	<b>5,716</b>	<b>5,561</b>	<b>5,716</b>		

**10. Related parties**

**10.1 Responsible Entity**

The Responsible Entity of the Schemes is OnePath Funds Management Limited (ABN 21 003 002 800). OnePath Funds Management Limited is a subsidiary of Australia and New Zealand Banking Group Limited (ANZ).

**10.2 Key management personnel**

The Schemes do not employ personnel in their own right. However, the Schemes are required to have an incorporated Responsible Entity to manage the activities and this is considered to be key management personnel. The directors of the Responsible Entity, which are key management personnel, during or since the end of the financial year are:

Name	Position Held	Date Appointed	Date Resigned
A H Chonowitz	Non-Executive Director	Appointed 1 March 2015	
L M Fricke	Non-Executive Director	Appointed 7 September 2017	
P G Mullin	Executive Director	Appointed 1 March 2015	
S J Chapman	Non-Executive Director, Chairman	Appointed 1 August 2011	
V S Weekes	Non-Executive Director	Appointed 1 May 2011	Resigned 8 September 2017

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

No director has entered into a material contract with the Schemes since the end of the previous financial year and there were no material contracts involving directors' interests existing at financial year end.

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#### 10.3 Related party transactions

All related party transactions are conducted on commercial terms and conditions.

The Directors of the Responsible Entity may also be employees and/or directors of other companies owned by ANZ. The Responsible Entity may also be involved in activities other than the business of managed investment schemes.

The Schemes have not made, guaranteed or secured, directly or indirectly, any loans to the Responsible Entity at any time during the reporting period.

No compensation is paid to the Directors of the Responsible Entity by the Schemes. From time to time the Directors of OnePath Funds Management Limited may invest or withdraw from the Schemes. These investments or withdrawals are on the same terms and conditions as those entered into by other unitholders in the Schemes.

#### 10.4 Responsible Entity fees

The Responsible Entity is entitled to management fees which are calculated as a proportion of net assets attributable to unitholders. All transactions with related parties are conducted on normal commercial terms and conditions. Management fees are reflected as 'Responsible Entity fees' in the Statements of Comprehensive Income. During the current and comparative years, the Schemes did not incur any responsible entity fees.

#### 10.5 Related party investments held by the Schemes

The Schemes may purchase and sell units in other schemes managed by OnePath Funds Management Limited in the ordinary course of business at application and redemption prices calculated in accordance with the Constitutions of the Schemes.

Details of the Schemes' investments in other schemes operated by OnePath Funds Management Limited are set out in the table below:

Name of entity Name of related entity	Fair value of unit holdings*		% Interest held		Units purchased/reinvested during the period		Units redeemed during the period		Distributions received/receivable (including Return of Capital)		Number of units held	
	2018 \$	2017 \$	2018 %	2017 %	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018	2017
<b>1. ANZ Mortgage Fund</b> Mortgage Pool	-	-	12.61	12.61	-	-	-	-	-	-	75,323,457	75,323,457
<b>2. ANZ OA OnePath Income Plus Trust</b> Mortgage Pool	-	-	12.30	12.30	-	-	-	-	-	-	73,446,412	73,446,412
<b>3. ANZ OA OnePath Mortgage Trust</b> Mortgage Pool	-	-	19.36	19.36	-	-	-	-	-	-	115,577,658	115,577,658
<b>4. Income Plus Trust</b> Mortgage Pool	-	-	2.52	2.52	-	-	-	-	-	-	15,058,576	15,058,576
<b>5. Monthly Income Trust</b> Mortgage Pool	-	-	7.60	7.60	-	-	-	-	-	-	45,405,391	45,405,391
<b>6. OnePath AJ Mortgage Fund</b> Mortgage Pool	-	-	0.77	0.77	-	-	-	-	-	-	4,606,845	4,606,845
<b>7. OnePath Mortgage Trust No.2</b> Mortgage Pool	-	-	9.62	9.62	-	-	-	-	-	-	57,442,343	57,442,343

\* The Schemes held units in a suspended unlisted unit trust which was valued at zero at the current and comparative year.

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**10.6 Units in the Schemes held by related parties**

Details of unit holdings in the Schemes by Oasis Superannuation Master Trust (OSMT) and Retirement Portfolio Service (RPS) are set out in the table below:

Name of entity Name of related entity	Fair value of unit holdings		% Interest held		Units purchased/reinvested during the period		Units redeemed during the period		Distributions paid/payable		Number of units held	
	2018 \$	2017 \$	2018 %	2017 %	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018	2017
<b>5. Monthly Income Trust</b>												
Oasis Superannuation Master Trust (a related entity of ANZ)	561	561	0.05	0.05	-	-	-	-	-	-	50,119	50,119
<b>7. OnePath Mortgage Trust No.2</b>												
Oasis Superannuation Master Trust (a related entity of ANZ)	11,919	11,919	0.89	0.89	-	-	-	-	-	-	1,027,531	1,027,531

**10.7 ANZ Securities - Related party investments**

OnePath Funds Management Limited is a subsidiary of ANZ. As such investments in securities or accounts issued by ANZ are classified as related party transactions.

As at current and comparative reporting dates, the Schemes had no holdings in ANZ issued securities, investments or accounts.

**11. Investment assets and liabilities of unconsolidated structured entities**

The Schemes' investment assets are units in the Mortgage Pool which were valued at zero as at 30 June 2018.

**12. Custodian**

OnePath Funds Management Limited (ABN 21 003 002 800) is the custodian of the Schemes.

**13. Commitments and contingencies**

There were no commitments or contingencies for the Schemes as at the reporting date (30 June 2017: Nil).

**14. Schemes Suspension**

The Schemes have been suspended since 24 October 2008.

**14.1 Schemes Termination**

The Schemes were approved to terminate by a Board resolution on 28 May 2015. Termination of the Schemes will not be immediate due to outstanding litigation on past loans still to be resolved within the Mortgage Pool investment.

**14.2 Mortgage Pool and Schemes investing into the Mortgage Pool**

On 28 May 2015, the Board of OnePath Funds Management Limited approved a resolution to terminate the Mortgage Pool. The Mortgage Pool is a suspended managed investment scheme managed by OnePath Funds Management Limited which had a zero unit price at reporting date.

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**Financial Report**  
**Notes to the Financial Statements**  
**for the financial year ended 30 June 2018**

**15. Significant events during the financial period**

Taxation Changes:

The Schemes have irrevocably elected into the Attribution Managed Investment Trust ("AMIT") tax regime effective 1 July 2017. As a result, the units in the Schemes have been reclassified from a financial liability to equity on 1 July 2017. Refer to Note 4 Attribution Managed Investment Trust regime and Note 5 Net assets attributable to unitholders for further detail.

This significant event did not impact individual unitholder balances or units.

Strategic review and proposed sale of Wealth business:

In November 2016, Australia and New Zealand Banking Group Limited (ANZ), the ultimate parent company of the Responsible Entity, announced the results of the strategic review of its Wealth business in Australia which includes, the OnePath Pension and Investments (OnePath P&I), Aligned Dealer Groups (ADG) and Insurance businesses. The review concluded that while distribution of high quality Wealth products and services should remain a core component of the ANZ's overall customer proposition, ANZ does not need to be a manufacturer or provider of those goods and services.

On 17 October 2017, ANZ announced the proposed sale of the OnePath P&I and ADG businesses to IOOF Holdings Limited and Australian Wealth Management Limited (IOOF entities) which includes the Responsible Entity. On 12 December 2017, ANZ announced the proposed sale of the OnePath life insurance business to Zurich Financial Services Australia Limited (Zurich). The proposed sale of OnePath P&I, which includes the Responsible Entity, to IOOF is expected to be completed in March 2019.

This significant event did not impact individual unitholder balances or units.

**16. Likely developments and expected results of operations**

The Schemes were approved to terminate by a Board resolution on 28 May 2015. Termination of the Schemes will not be immediate due to outstanding litigation on past loans still to be resolved within the Mortgage Pool investment.

The Schemes will continue to pursue their investment policies as outlined in the PDSs or investment mandates. The results of the Schemes will be affected by a number of factors, including the performance of investment markets in which the Schemes invest. 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 has not been included in this report to avoid the disclosure of information that may result in unreasonable prejudice to the Schemes.

**17. Events subsequent to reporting date**

There are no significant events that have occurred since the financial year ended 30 June 2018 which have a material effect on these financial statements or the Schemes' results and operations.

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## Financial Report Directors' Declaration

OnePath Funds Management Limited presents the Directors' Declaration in respect of the following Schemes:

1. ANZ Mortgage Fund
2. ANZ OA OnePath Income Plus Trust
3. ANZ OA OnePath Mortgage Trust
4. Income Plus Trust
5. Monthly Income Trust
6. OnePath AJ Mortgage Fund
7. OnePath Mortgage Trust No.2

In accordance with a resolution of the Directors of OnePath Funds Management Limited we state that:

In the opinion of the Directors:

1. The financial statements and notes to the financial statements of the Schemes, set out on pages 5 to 25 are in accordance with the *Corporations Act 2001*, including:
  - 1.1 giving a true and fair view of the Schemes' financial positions as at 30 June 2018 and their performance for the financial year ended on that date.
  - 1.2 complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial statements and notes to the financial statements of the Schemes, set out on pages 5 to 25 comply with International Financial Reporting Standards.
3. There are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable.

This Declaration is made in accordance with a resolution of the Directors of OnePath Funds Management Limited.



**Director**

Sydney

6 September 2018



## Independent Auditor's Report

To the respective unitholders of the following Schemes:

- ANZ Mortgage Fund
- ANZ OA OnePath Income Plus Trust
- ANZ OA OnePath Mortgage Trust
- Income Plus Trust
- Monthly Income Trust
- OnePath AJ Mortgage Fund
- OnePath Mortgage Trust No.2

For the purpose of this report, the term Scheme and Schemes denote the individual and distinct entity for which the financial information is prepared and upon which our audit is performed. Each is to be read as a singular subject matter.

### Opinions

We have audited each of the **Financial Reports** of the Schemes.

In our opinion, the accompanying Financial Report of each Scheme 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 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the individual Schemes comprise:

- Statement of Financial Position as at 30 June 2018;
- Statement of Comprehensive Income for the year then ended;
- Statement of Changes in Equity for the year then ended;
- Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration made by the Directors of OnePath Funds Management Limited (the Responsible Entity).

### Basis for opinions

We conducted our audits 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 opinions.

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

We are independent of the Schemes and the Responsible Entity in accordance with 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 audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Emphasis of matter - basis of preparation

We draw attention to Note 2.2 to the Financial Reports, which indicates that the Financial Reports have been prepared on a basis other than going concern. On 28 May 2015 the Responsible Entity resolved to terminate the Schemes on a date subsequent to 30 June 2018. The Schemes are no longer considered going concerns. Our opinions are not modified in respect of this matter.

### Other Information

Other Information is financial and non-financial information in the issuer of the respective Scheme's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors of the Responsible Entity are responsible for the Other Information.

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

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, 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 the Directors for the Financial Reports

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Reports that give 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 each Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 respective Scheme or to cease operations, or have no realistic alternative but to do so.



## Independent Auditor's Report

### Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

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

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 the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

Michael O Connell

*Partner*

Sydney

6 September 2018



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

To the Directors of OnePath Funds Management Limited, the Responsible Entity for the following Schemes:

- ANZ Mortgage Fund
- ANZ OA OnePath Income Plus Trust
- ANZ OA OnePath Mortgage Trust
- Income Plus Trust
- Monthly Income Trust
- OnePath AJ Mortgage Fund
- OnePath Mortgage Trust No.2

I declare that, to the best of my knowledge and belief, in relation to each of the audits of the Schemes for the financial year ended 30 June 2018 there have been:

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

KPMG

Michael O Connell

*Partner*

Sydney  
6 September 2018

## CONTACT DETAILS FOR THE SCHEMES

### CUSTOMER SERVICES

 13 38 63 weekdays between 8.30am and 6.30pm (AEST)

 [customer@onepath.com.au](mailto:customer@onepath.com.au)

### ANZ SERVICEPLUS

For use by ANZ Financial Planners only.

 1800 998 996 weekdays between 8.00am and 6.00pm (AEST)

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### AUDITOR

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