

Powerwrap Scheme

ARSN 137 053 073

Financial Statements
for the financial year ended 30 June 2016

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

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Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Directors' Report

The Directors of Powerwrap Limited, the Responsible Entity ("the Responsible Entity") of Powerwrap Scheme (the "Scheme") present their report together with the financial report of the Scheme for the year ended 30 June 2016 and the independent auditor's report thereon.

Responsible Entity

The registered office and the principal place of business of the Responsible Entity and the Scheme is Level 7, 356 Collins Street, Melbourne, Victoria.

The Directors of the Responsible Entity during or since the end of the year are:

Maurice O'Shannassy
Matthew Driscoll (appointed in July 2015)
Chris Brant (appointed in July 2015)
Mitchell Hurley
Nicholas Owen (resigned in May 2016)
Garrick Higgins (resigned in November 2015)

The Directors have been in office since the start of the year to the date of this report unless otherwise stated.

Principal activities

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

The Scheme principal activities during the course of the financial year was to receive directions from members on the monies invested through the Scheme on their behalf by the Responsible Entity for the purchase of accessible investments including managed investments, in accordance with the investment objectives and guidelines set out in the Scheme's Product Disclosure Statements, and in accordance with the provisions of the Scheme's constitution. Scheme members may also receive capital and income distributions on accessible investments they purchase, held or sold through the Scheme.

The Scheme did not have any employees during the year.

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

Review of Operations and Financial Results

The results of the operations of the Scheme are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The net profit for the financial year ended 30 June 2016 was \$Nil. (2015 \$Nil).

Distributions

The Scheme is an investment administration portfolio service scheme. Members have full entitlement to the net income arising from accessible investments within their investment portfolios.

Interests of the Responsibility Entity

The following fees were paid to Powerwrap Limited the Responsible Entity of Powerwrap Scheme, during the financial year:

- Responsible Entity fees paid directly by the Scheme \$1,966,773 (2015: \$1,683,199)

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Directors' Report (continued)

Likely developments

In the opinion of the Directors of the Responsible Entity, it would be prejudicial to the interests of the Scheme to provide information required by subsection 299 (3)(a) of the Corporations Act 2001.

Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Responsible Entity, that will significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Results

The profit after income tax of the Scheme for the financial year ended 30 June 2016 was \$Nil (2015: \$Nil).

Significant changes in state of the Responsible Entity

In the opinion of the Directors, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year under audit other than those referred to elsewhere in our report.

Environmental regulation

The Scheme's operations are not subject to any particular or significant environmental regulations under either Commonwealth or State legislations.

Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Directors of the Responsible Entity of the Scheme has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Scheme.

Insurance premiums

Since the end of the previous financial year, the Directors of the Responsible Entity of the Scheme has paid insurance premiums in respect of Directors' and officers' liability and legal expenses insurance contracts.

The Directors of the Responsible Entity have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability and legal expenses' insurance contracts; as such disclosure is prohibited under the terms of the contract.

Responsible Entity Remuneration of Directors

Remuneration of the Directors is paid directly by the Responsible Entity. The Directors are not provided with any remuneration by the Scheme itself. Directors are not entitled to any equity interest in the Scheme, or any rights to or options for equity interest in the Scheme, as a result of the remuneration provided by the Responsible Entity.

The Directors of the Responsible Entity do not consider that there is any direct correlation between the level of remuneration provided to Directors of the Responsible Entity and the management fees paid by the Scheme to the Responsible Entity in accordance with the Scheme Constitution and Product Disclosure Statements.

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Directors' Report (continued)

Proceedings on behalf of the Scheme

No person has applied for leave of Court to bring proceedings on behalf of the Scheme or intervene in any proceedings to which the Scheme is a party for the purpose of taking responsibility on behalf of the Scheme for all or any part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

Signed on behalf of the Board of Directors.



Maurice O'Shannassy
Director
29 September 2016
Melbourne



Matthew Driscoll
Director
29 September 2016
Melbourne

The Board of Directors
Powerwrap Limited
Level 7, 356 Collins Street
Melbourne VIC 3000
29 September 2016

Dear Board Members,

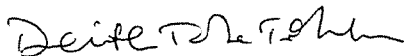
Powerwrap Scheme

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Powerwrap Limited as the Responsible Entity of Powerwrap Scheme.

As lead audit partner for the audit of the financial statements of Powerwrap Scheme for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, 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



DELOITTE TOUCHE TOHMATSU



Peter Caldwell
Partner
Chartered Accountants

Independent Auditor's Report to the members of Powerwrap Scheme

We have audited the accompanying financial report of Powerwrap Scheme (the "Scheme"), which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration as set out on pages 9 to 20.

Directors' Responsibility for the Financial Report

The Directors of the Responsible Entity of the Scheme (the "Directors") 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 Note 1(a), the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors, would be in the same terms if given to the Directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of the Scheme is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and



(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Peter Caldwell".

Peter Caldwell

Partner

Chartered Accountants

Melbourne, 29 September 2016

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Directors' Declaration

The Directors of the Responsible Entity declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable;
- b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
- c) in the Directors' opinion, 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 scheme; and

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

Signed on behalf of the Directors of the Responsible Entity, Powerwrap Limited.



Maurice O'Shannassy
Director
29 September 2016
Melbourne



Matthew Driscoll
Director
29 September 2016
Melbourne

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2016

	Note	2016 \$	2015 \$
Investment Administrative Revenue		1,966,773	1,683,199
Expenses – Responsible Entity Fees	5(c)	(1,966,773)	(1,683,199)
Profit before income tax		-	-
Income tax (expense) / benefits		-	-
Net profit after tax		-	-
Other comprehensive income for the year (net of income tax)		-	-
Total comprehensive income for the year		-	-

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

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
Current Assets			
Cash and cash equivalents	4	210,877	2,656
Receivable from investors		185,700	184,051
Total assets		396,577	186,707
Current Liabilities			
Payables to responsible entity		396,577	186,707
Total Liabilities		396,577	186,707
Net assets attributable to members (liability)		-	-
Liability attributable to members		-	-
Net assets		-	-

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

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Statement of Changes in Equity for the financial year ended 30 June 2016

	2016 \$	2015 \$
Total equity at the beginning of the financial year	-	-
Profit for the year	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total Equity at the end of the financial year	-	-

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

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Statement of Cash Flow for the financial year ended 30 June 2016

	Note	2016 \$	2015 \$
<i>Cash flows from operating activities</i>			
Investment administration fees received		1,965,124	1,623,150
Fees paid to the responsible entity		(1,758,400)	(1,623,568)
Interest received on behalf of responsible entity		1,886	1,236
Bank charges paid		(389)	(16)
Net cash provided by operating activities	4	208,221	802
Net increase in cash and cash equivalents		208,221	802
Cash and cash equivalents at 1 July 2015		2,656	1,854
Cash and cash equivalents at 30 June 2016	4	210,877	2,656

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

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Notes to the financial statements

1. Statement of significant accounting policies

This financial report has been prepared for Powerwrap Scheme (the Scheme) as an individual entity. The Scheme was constituted on 11 May 2009.

The responsible entity of the Scheme is Powerwrap Limited (the Responsible Entity).

The Responsible Entity does not pool any assets within the Scheme and attributes all transactions and holdings to the underlying member. Beneficial entitlement of these assets remains with the scheme's investors. Accordingly no assets and liabilities of the members are carried on the Scheme's balance sheet, rather the scheme's assets consist only of receivable from members and the Australian Taxation Office, and cash at bank. The Scheme's liabilities consist only of payables to the Responsible entity.

The financial statements were authorised for issue by the Directors of the Responsible Entity as at the date of the Directors' report.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Basis of preparation of the financial report

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. Powerwrap Scheme is a for-profit scheme for the purpose of preparing the financial statements.

The financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Statement of compliance

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Scheme comply with International Financial Reporting Standards ('IFRS').

(b) Going concern

The financial report has been prepared on a going concern basis. The Directors of the Responsible Entity are confident that the Scheme has earnings capacity and forecast to have positive cash flow in less than twelve months.

As at the date of this report the Directors' consider the going concern basis of accounting is appropriate for the Scheme based on the factors outlined above.

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Notes to the financial statements (continued)

1. Statement of significant accounting policies (continued)

(c) Taxation

Under current income tax legislation the Scheme is not liable to pay income tax as the net income of the Scheme is assessable in the hands of the Scheme's investors who are 'presently entitled' to the income of the Scheme.

(d) Revenue

Revenue from the rendering of services is recognised upon the delivery of the service to clients. Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions.

(f) Receivable

Receivables include fee income and other amounts not received and are recognised initially at fair value. Fee income is recognised in accordance with the Product Disclosure Statement at cost less any provision for impairment.

(g) Payable

Recognised initially at fair value. Payables include liabilities and accruals. Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at balance date. These amounts are unsecured.

(h) Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

1. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. 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 cash flow statement 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 within operating cash flows.

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Notes to the financial statements (continued)

2. Adoption of New and Revised Accounting Standards

a) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have not materially affected the amounts reported in these financial statements.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

Standards and Interpretations that are not expected to have a material impact on the Company have not been included.

b) Standards and Interpretations in issue but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been early adopted by the Company.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2018	30 June 2019
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions. The potential effect of the new Standards and interpretations on the Company's financial statements has not yet been determined.

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Notes to the financial statements (continued)

3. Financial Risk Management

The Scheme is exposed to a number of risks due to the nature of its activities and as further set out in its product disclosure statement. These risks include market risk (including currency risk, and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Scheme's objective in managing these risks is the protection and enhancement of unitholder value.

The Scheme's risk management policies are approved by the Responsible Entity and seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risk.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Market price risk

Market price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Scheme does not have a material exposure to market price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Scheme does not have a material exposure to currency risk.

Interest rate risk

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

The following table demonstrates the sensitivity of the Scheme's profit for year and equity, to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on the volatility of change in the AUD cash interest rate for the past year.

	2016 \$	2015 \$
+/- 25 basis points		
Impact on profit	527	7
Impact on equity	527	7

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Notes to the financial statements (continued)

3. Financial Risk Management (Continued)

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to financial statements.

Cash deposits

Credit risk from cash deposits is managed by holding all cash deposits with major Australian Banks.

Receivable from investors

Credit risk for receivables from investors are managed by setting credit limits and completing credit checks. Outstanding receivables are regularly monitored for payments in accordance with credit terms.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Schemes does not have a material exposure to liquidity risk.

The only external liability of the Scheme is in relation to payable to Responsible Entity.

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Notes to the financial statements (continued)

4. Cash Flow Information

a) Reconciliation of Cash

For the purpose of the statement of cash flow, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:

	2016	2015
	\$	\$
Cash at bank	210,877	2,656
Total cash and cash equivalents	<u>210,877</u>	<u>2,656</u>

b) Reconciliation of net cash provided by operating activities to net operating profit

	2016	2015
	\$	\$
Net operating profit	-	-
Changes in assets and liabilities:		
(Increase)/ decrease in receivables from investors	(1,649)	(58,829)
Increase/ (decrease) in payables	209,870	59,631
Cash flows provided from (used in) operating activities	<u>208,221</u>	<u>802</u>

5. Related Party Transactions

a) Responsible Entity

The Responsible Entity of the Powerwrap Scheme is Powerwrap Limited (ABN 67 129 756 850)

b) Compensation of key management personnel of the Responsible Entity

The Directors of the Responsible Entity and other key management personnel during the financial period were:

Maurice O'Shannassy
Matthew Driscoll (appointed in July 2015)
Chris Brant (appointed in July 2015)
Mitchell Hurley
Nicholas Owen (resigned in May 2016)
Garrick Higgins (resigned in November 2015)

Remuneration of the Directors is paid directly by the Responsible Entity. The Directors are not provided with any remuneration by the Scheme itself. Directors are not entitled to any equity interest in the Scheme, or any rights to or options for equity interests in the Scheme, as a result of the remuneration provided by the Responsible Entity.

The Directors of the Responsible Entity of the Scheme do not consider that there is any direct correlation between the level of remuneration provided by the Directors of Powerwrap Limited and investment administration fees paid by Powerwrap Scheme to Powerwrap Limited in accordance with Powerwrap Scheme's constitution.

Powerwrap Scheme

Financial report for the financial year ended 30 June 2016

Notes to the financial statements (continued)

5. Related Party Transactions (Continued)

c) Responsible Entity Fees and Other Transactions

The Scheme paid \$1,966,773 (2015: \$1,638,199) in fees to the Responsible Entity out of Scheme property during the financial year. Fees payable to the Responsible Entity match those received from the investors in the Scheme under the Product Disclosure Statements.

d) Balance with Related Parties

All transactions with related parties are conducted on normal commercial terms and conditions. The aggregate amount payable to the Responsible Entity by the Scheme at balance date is \$396,577 (2015: \$186,707) payable to Powerwrap Limited relating to Responsible Entity fees.

6. Auditors' remuneration

The auditors of the Scheme are Deloitte Touche Tohmatsu (2015: Pitcher Partners). Amounts paid or payable to the auditors are detailed in the table below.

	2016	2015
	\$	\$
Audit and review of financial reports	19,140	25,000
Other non-audit services	7,635	-
	<u>26,775</u>	<u>25,000</u>

Audit fees are paid by the Responsible Entity.

7. Commitments and Contingencies

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2016 (2015: Nil).

8. Subsequent events

The Directors are not aware of any matter or circumstance that has occurred since the reporting date that would impact the financial position of the Scheme disclosed in the Statement of Financial Position as at 30 June 2016 or on the results and cash flows of the Scheme for the financial year ended on that date, or the operations of the Scheme in future financial years, the results of those operations in future financial years or the state of affairs of the Scheme in future financial years.

9. Responsible Entity Details

The registered office of the Responsible Entity is:

Level 7
356 Collins Street,
Melbourne VIC 3000

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