

## Professionally Managed Accounts

**ARSN 620 030 382**

### **Financial Report For the year ended 30 June 2019**

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## Professionally Managed Accounts

### Responsible Entity report

#### For the year ended 30 June 2019

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The Directors of InvestSMART Funds Management Ltd (“InvestSMART”) (ABN 62067751759) (AFSL No 246441), the Responsible Entity, present their report together with the financial report of Professionally Managed Accounts (ARSN 620 030 382) (“Trust”) for the year ended 30 June 2019.

#### Principal activities

The Trust is an Australian registered managed investment scheme which was constituted on 6 July 2017, registered on 11 July 2017 and issued a Product Disclosure Statement on 1 November 2018. Within the Trust each investor has a separate account to which their investments are allocated. The investments are held in a broker-sponsored account, registered through the Clearing House Electronic Sub-register System (“CHES”) in the name of the account holder. The Trust aims to invest in a model portfolio of Australian listed securities as directed by the account holder in accordance with the Product Disclosure Statement and the provisions of the Trust's Constitution. The Trust is domiciled in Australia.

The PDS was updated on 28 June 2019 to reflect the change in external dispute resolution scheme from FOS to AFCA and other non-material amendments.

The Trust did not have any employees during the period.

There were no significant changes in the nature of the Trust's activities during the period.

The various service providers for the Trust are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	InvestSMART Funds Management Ltd
Investment Managers	Intelligent Investor Holdings Pty Limited and InvestSMART Financial Services Pty Ltd
Statutory Auditor	Ernst & Young

#### Directors

The following persons were Directors of InvestSMART Funds Management Ltd during the year up to the date of this report, unless otherwise stated:

Alastair Davidson  
Peter Ronald Hodge  
Andrew Ward

#### Operating and financial review

The Trust commenced operations on 1 November 2018. Applications received for units in the Trust are recorded at membership interest (a fixed \$1.00 fee) received prior to the issue of units in the Trust. Redemptions from the Trust are recorded at membership interest (a fixed \$1.00 fee) after the cancellation of units redeemed. The Trust received 223 applications and received 4 redemptions from 1 November 2018 to 30 June 2019.

The Trust's statutory net profit attributable to unitholders for the year ended 30 June 2019 was \$nil (2018: \$nil).

There were no distributions paid or payable during the year.

#### Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of Professionally Managed Accounts that occurred during the year under review other than those listed above or elsewhere in the Responsible Entity's report.

#### Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Trust's Constitution.

## Professionally Managed Accounts

### Responsible Entity report

For the year ended 30 June 2019

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#### Events subsequent to balance date

No circumstances have arisen since the end of the year which have significantly affected or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

#### Number of interests on issue

As at 30 June 2019 the number of units on issue in the Trust was 219 (2018: nil).

#### Fees paid to and interests held in the Trust by the Responsible Entity and its associates

No fees were paid out of Trust property to the directors of the Responsible Entity during the year.

Fees payable to the Responsible Entity by the unitholders as at the end of the financial year are disclosed in Note 9 to the financial statements.

The number of interests in the fund held by the Responsible Entity or its associates at the end of the financial year are disclosed in Note 9 to the financial statements.

#### Indemnification and insurance of Directors and Officers

No insurance premiums are paid for out of the assets of the Trust in regard to insurance cover provided to the officers of InvestSMART Funds Management Ltd. As long as the officers of InvestSMART Funds Management Ltd act in accordance with the Trust's Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

#### Indemnification of auditors

The auditor of the Trust is in no way indemnified out of the assets of the Trust.

#### Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 4 and forms part of the Responsible Entity's report for the year ended 30 June 2019.

This report is made in accordance with a resolution of the Directors.



**Andrew Ward**

Director

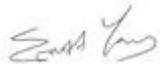
Sydney

25 September 2019

## Auditor's Independence Declaration to the Directors of InvestSMART Funds Management Ltd

As lead auditor for the audit of InvestSMART Professionally Managed Accounts for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Mark Jones  
Partner  
Sydney  
25 September 2019

**Professionally Managed Accounts**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2019**

	2019	2018
	\$	\$
<b>Revenue from continuing operations</b>		
Finance revenue	-	-
Total revenue from continuing operations and other income	<u>-</u>	<u>-</u>
<b>Expenses</b>		
Management fees	-	-
Administration expenses	-	-
<b>Total expenses</b>	<u>-</u>	<u>-</u>
<b>Operating profit/(loss) before finance costs attributable to unitholders</b>	<u>-</u>	<u>-</u>
<b>Finance costs attributable to unitholders</b>		
Distributions to unitholders	-	-
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>
<b>Profit/(loss) for the year</b>	<u>-</u>	<u>-</u>
Other comprehensive income	-	-
Total comprehensive income	<u>-</u>	<u>-</u>
<b>Earnings per unit attributable to the unitholders of the Trust</b>		
Basic and diluted earnings per unit (cents)	-	-

The above statement of profit or loss and other comprehensive income should be read with the accompanying notes.

**Professionally Managed Accounts**  
**Statement of financial position**  
**As at 30 June 2019**

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	Note	2019 \$	2018 \$
<b>ASSETS</b>			
Cash and cash equivalents		219	-
Receivables		6,655	-
<b>Total assets</b>		<u>6,874</u>	<u>-</u>
<b>LIABILITIES</b>			
Trade and other payables		6,655	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>6,655</u>	<u>-</u>
<b>Net assets attributable to unitholders - liability</b>		<u>219</u>	<u>-</u>

The above statement of financial position should be read with the accompanying notes.

**Professionally Managed Accounts**

**Statement of changes in equity**

**For the year ended 30 June 2019**

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The Trust's net assets attributable to unitholders are classified as a liability (rather than equity) under *AASB 132 Financial Instruments: Presentation*. As a result, there was no equity at the beginning and end of the reporting period and no items of changes in equity have been presented for the current or comparative year.

Changes in net assets attributable to unitholders are disclosed in Note 4.

**Professionally Managed Accounts**

**Statement of cash flows**

**For the year ended 30 June 2019**

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	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Finance revenue		-	-
Payments to suppliers		-	-
<b>Net cash outflows from operating activities</b>		<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		223	-
Payments for redemptions by unitholders		(4)	-
<b>Net cash inflow from financing activity</b>		<u>219</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<b>219</b>	-
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<u><b>219</b></u>	<u>-</u>

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

## Professionally Managed Accounts

### Notes to the financial report

#### For the year ended 30 June 2019

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#### 1. General information

These financial statements cover Professionally Managed Accounts (the "Trust") as an individual entity. The Trust is an Australian registered managed investment scheme which was constituted on 6 July 2017, registered on 11 July 2017 and issued a Product Disclosure Statement on 1 November 2018. Within the Trust each investor has a separate account to which their investments are allocated. The investments are held in a broker-sponsored account, registered through the Clearing House Electronic Sub-register System ("CHESS") in the name of the account holder. The Trust aims to invest in a model portfolio of Australian listed securities as directed by the account holder in accordance with the Product Disclosure Statement and the provisions of the Trust's Constitution. The Trust is domiciled in Australia.

The Responsible Entity of the Trust is InvestSMART Funds Management Ltd (ABN 62 067 751 759) (AFSL 246441) (the "Responsible Entity"). The Responsible Entity's registered office is Level 9, 37 York Street, Sydney, NSW 2000. These financial statements are presented in Australian dollars.

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

#### 2. Summary of significant accounting policies

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

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 in Australia.

The Trust is a for-profit entity for the purpose of preparing the financial statements.

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

##### (i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Trust also comply with IFRS as issued by the International Accounting Standards Board (IASB).

##### (ii) New and amended standards adopted by the Trust

Except as disclosed below, the accounting policies applied in these financial statements are the same as those applied to the Trust's financial statements for the year ended 30 June 2018.

The Trust had to change some of its accounting policies as a result of new and revised accounting standards which became effective for the first time in the current reporting period. The affected policies are:

##### *AASB 9 Financial Instruments (and applicable amendments)*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The adoption of the amendment does not have a significant impact on the recognition, classification and measurement of the Trust's financial instruments. The derecognition rules have not

## Professionally Managed Accounts

### Notes to the financial report

#### For the year ended 30 June 2019

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changed from the previous requirements, and the Trust does not apply hedge accounting. AASB 9 introduces a new impairment model. The change in impairment rules does not have a material impact on the Trust.

#### *AASB 15 - Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Trust does not receive income. Consequently, there was no impact on the Trust on the adoption of AASB 15 on 1 July 2018.

#### (iii) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting periods and have not been early adopted by the Trust. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations does not anticipate material impact on the financial statements of the Trust.

#### **b) Impairment of assets**

The Trust assesses at each reporting date an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Under the general approach for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Trust applies a simplified approach in calculating ECLs for trade receivables (Note 2(j), (k)). Therefore, the Trust does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Trust considers a financial asset to be in default when internal or external information indicates that the Trust is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### **c) Net assets attributable to unit holders**

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unit holders. The units are classified as liabilities as the Trust is required to distribute its distributable income in accordance with the Trust's constitution.

The units can be put back to the Trust at any time for cash based on the redemption price. The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put them back to the Trust.

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 Trust's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;

## Professionally Managed Accounts

### Notes to the financial report

#### For the year ended 30 June 2019

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- 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 Trust, and is not a contract settled in the Trust's own equity
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

#### **d) Cash and cash equivalents**

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

#### **e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

#### **(f) Expenses**

All expenses are recognised in the statement of comprehensive income on an accruals basis.

#### **(g) Income tax**

Under current Australian income tax legislation, the Trust is generally not liable for income tax provided their taxable income and taxable capital gains are fully distributed to unitholders each year. In the circumstances if a managed investment trust undertakes certain trading activities that trust may be liable to pay income tax.

#### **(h) Distributions**

In accordance with the Trust Constitution, the Trust distributes income adjusted for amounts determined by the Responsible Entity, to unit holders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

#### **(i) Increase/decrease in net asset attributable to unit holders**

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

#### **(j) Receivables and accrued income**

Receivables may include amounts for fees receivable, interest and trust distributions. Receivables are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last. Amounts are generally received within 30 days of being recorded as receivables.

#### **(k) Payables**

Payables include liabilities owing by the Trust which are unpaid as at the end of the reporting period. As the Trust has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

#### **(l) Applications and redemptions**

Applications received for units in the Trust are recorded at membership interest (a fixed \$1.00 fee) received prior to the issue of units in the Trust. Redemptions from the Trust are recorded at membership interest (a fixed \$1.00 fee) after the cancellation of units redeemed.

#### **(m) Comparative period**

The Trust was registered on 11 July 2017 and did not undertake any activity until 1 November 2018, hence comparatives for the prior period are nil. For the Statement of financial position, the previous corresponding date is 30 June 2018

## Professionally Managed Accounts

### Notes to the financial report

#### For the year ended 30 June 2019

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### 3. Financial risk management

The Trust's activities expose it to a variety of financial risks including liquidity risk.

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's Product Disclosure Statement and the investment guidelines of the Fund.

The exposure to credit risk for cash and cash equivalents is low as all counterparties have at least a rating of AA. The Trust is not materially exposed to credit risk on other financial assets.

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

Exposure to liquidity risk for the Trust may arise from the requirement to meet daily unit holder redemption requests.

Liquidity risk is mitigated by maintaining sufficient cash and reserves to meet its normal operating requirements.

In order to manage the Trust's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Trust did not reject or withhold any redemptions during 2019.

The table below analyses the Trust's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
As at 30 June 2019					
Net assets attributable to unitholders	219	-	-	-	219
As at 30 June 2018					
Net assets attributable to unitholders	-	-	-	-	-

### 4. Net assets attributable to unit holders

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

	Year ended 30 June 2019		Year ended 30 June 2018	
	Units	\$	Units	\$
Opening balance	-	-	-	-
Applications	223	223	-	-
Redemptions	(4)	(4)	-	-
Distributions paid and payable	-	-	-	-
Profit/(loss) for the year	-	-	-	-
Closing balance	219	219	-	-

As stipulated in the Trust's Constitution, each unit represents a right to an individual share in the Trust (a membership interest fixed at \$1.00) and does not extend to a right in the underlying assets of the Trust.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

## Professionally Managed Accounts

### Notes to the financial report

#### For the year ended 30 June 2019

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Units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such amounts expected to be settled within 12 months from year end of financial year cannot be readily determined.

The Trust considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change on a daily basis as the Trust is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Trust's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders.

#### 5. Distributions

The Trust did not declare or pay any distributions during the year (2018: \$nil).

#### 6. Receivables

Receivables of \$6,655 (2018: \$nil) consists of amounts receivable from member portfolio portfolios for management services. This amount is payable to the Responsible Entity.

#### 7. Payables

Payables of \$6,655 (2018: \$nil) consists of amounts payable to the Responsible Entity for management services (deducted from member portfolios).

#### 8. Remuneration of auditor

	2019	2018
	\$	\$
Ernst & Young		
Audit and other assurance services:		
Audit and review of financial statements	-	-
Audit of compliance plan	-	-
Total remuneration for audit and other assurance services	<u>-</u>	<u>-</u>
Total remuneration of Ernst & Young	<u>-</u>	<u>-</u>

The auditor's remuneration is borne by InvestSMART Funds Management Ltd.

#### 9. Related party transactions

The Responsible Entity of the Fund is InvestSMART Funds Management Ltd, a wholly owned subsidiary of InvestSMART Group (ABN 6211172359). Accordingly, transactions with entities related to InvestSMART Funds Management Ltd are disclosed below.

The Responsible Entity has contracted services to Intelligent Investor Holdings Pty Limited and InvestSMART Financial Services Pty Ltd, to act as Investment Managers for the Trust. The contracts are on normal commercial terms and conditions.

##### (a) Key management personnel

The Responsible Entity is regarded as the key management personnel of the Trust.

##### (i) Directors

Key management personnel include persons who were directors of InvestSMART Funds Management Ltd at any time during or since the end of the financial period and up to the date of this report:

## Professionally Managed Accounts

### Notes to the financial report

#### For the year ended 30 June 2019

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Alastair Davidson

Peter Ron Hodge

Andrew Ward

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(c) Key management personnel unit holdings

Key management personnel held the following units at year end:

	Number of units held opening	Number of units held closing	Fair value of investment	Interest held	Number of units acquired
As at 30 June 2019			\$	%	
Alastair Davidson	-	1	1	0.4%	1
Peter Ron Hodge	-	1	1	0.4%	1

No units were disposed of during the year and there were no distributions paid or payable during the year.

(d) Key management personnel compensation

Key management personnel are paid by InvestSMART Group Ltd. Payments made from the Trust to InvestSMART Funds Management Ltd do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

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

(f) Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Trust during the financial period and there were no material contracts involving management personnel's interests existing at period end.

(g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Trust's Constitution and Product Disclosure Statement, the Responsible Entity and the Investment Manager are entitled to receive management fees.

During the year ended 30 June 2019, InvestSMART Funds Management Ltd received a management fee of 0.55% of Net Asset Value (inclusive of GST) capped at \$451 p.a. on InvestSMART Model Portfolios and a management fee of 0.97% (inclusive of GST) on Intelligent Investor Model Portfolios.

	2019	2018
	\$	\$
Management fees for the period	16,688	-
Total fees payable to the Responsible Entity at period end	6,654	-

## **Professionally Managed Accounts**

### **Notes to the financial report**

#### **For the year ended 30 June 2019**

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#### **10. Events occurring after the reporting period**

No significant events have occurred since the end of the period which would impact on the financial position of the Trust as disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Fund for the period ended on that date.

#### **11. Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2019 and 30 June 2018.

## Professionally Managed Accounts

### Directors' declaration

For the year ended 30 June 2019

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In the opinion of the Directors of the Responsible Entity:

- a) The financial statements and notes that are set out on pages 5 to 15, are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance for the financial period ended on that date.
- b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of InvestSMART Funds Management Ltd.



**Andrew Ward**

Director

Sydney

25 September 2019

## Independent Auditor's Report to the unitholders of InvestSMART Funds Management Ltd

### Opinion

We have audited the financial report of Professionally Managed Accounts (the "Trust"), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist InvestSMART Funds Management Limited as the Trustee of the Trust (the "Trustee") for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001* and to meet *Section 3CA* of the *Taxation Administration Act 1953*. Our report is intended solely for the Trust and its unitholders and should not be used by parties other than Trust and its unitholders. Our opinion is not modified in respect of this matter.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

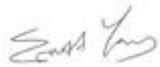
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Ernst & Young



Mark Jones  
Partner  
Sydney  
25 September 2019