



Independent audit report by the auditor to the Board of Directors of Perpetual Trustee Company Limited on internal controls relating to investor statements

We have audited the internal controls and other procedures relating to the annual investor statements and quarterly reports of Perpetual Trustee Company Limited (the Operator) as operator of Perpetual's Managed Discretionary Service and any other relevant person acting on behalf of the Operator, for the year ended 30 June 2017 as documented in the attached 'Management Report on Internal Controls' dated 7 September 2017 (the Documented Controls).

Directors' responsibilities

The directors and management of the Operator are responsible for ensuring that:

- a) the Operator's internal controls and other procedures were suitably designed and operated effectively to ensure that the following have not been materially misstated:
 - i. annual investor statements or summaries, given under subparagraph 1.31 (a) of ASIC Class Order 04/194 *Managed discretionary accounts* (the Class Order) for the year ended 30 June 2017 (annual investor statements); and
 - ii. quarterly reports for each quarter during the year ended 30 June 2017 that have been given under subparagraph 1.30 (a) of the Class Order (quarterly reports).
- b) the aggregate of assets, liabilities, revenue and expenses shown in the annual investor statements provided by the Operator for the year have been properly reconciled to the corresponding amounts shown in the reports prepared by the holder of any retail client's portfolio assets (or, if the holder is the retail client, by the Operator) that have been independently audited.

The directors and management of the Operator are responsible for establishing and maintaining an effective internal control structure, including the internal controls in relation to the preparation of annual investor statements and quarterly reports as well as the preparation, presentation and accuracy of the information included in the annual investor statements and quarterly reports. The directors' assertions about the design and operating effectiveness of the Documented Controls and other procedures in relation to the accounting and reporting of assets, liabilities, revenue and expenses are included in the attached Directors' Declaration dated 7 September 2017.

The directors of the Operator have determined that the accounting policies used and described in the specified basis of preparation, including the basis of accounting, are appropriate to meet the requirements of the Class Order.



Auditor's responsibility

Our responsibility is to express an opinion, whether, in relation to the provision of MDA services (as defined in the Class Order) by the Operator:

- the internal controls and other procedures of the Operator and any other relevant person acting on behalf of the MDA operator for the year ended 30 June 2017, as documented in the attached 'Management Report on Internal Controls' dated 7 September 2017 were suitably designed and operated effectively, in all material respects, to provide reasonable, but not absolute assurance that the annual investor statements and quarterly reports referred to in paragraph (a) above have not been materially misstated in accordance with the specified basis of preparation; and
- The aggregates of assets, liabilities, revenue and expenses shown in the annual investor statements provided by the Operator for the year ended 30 June 2017 have been properly reconciled in all material respects to the corresponding amounts shown in the reports prepared by the holder of any retail client's portfolio assets (or if the holder is the retail client, by the Operator) that have been independently audited.

We express no opinion as to whether the specified basis of preparation is appropriate to the needs of the clients.

We have performed our work in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and other auditing standards applicable to internal controls engagements and accordingly included such tests and procedures as we considered necessary in the circumstances. We apply Australian Standard on Quality Control (ASQC) 1 and maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our procedures included obtaining an understanding of the documented controls relevant to the preparation of the annual investor statements and quarterly reports referred to in paragraph (a) above and an examination, on a test basis, of evidence supporting the suitability of design and operating effectiveness to enable the Operator to produce annual investor statements and quarterly reports which are not materially misstated. Our procedures also included testing that the aggregates of assets, liabilities, revenue and expenses shown in the annual investor statements provided by the Operator for the year ended 30 June 2017 were properly reconciled in all material respects to the corresponding amounts shown in reports prepared by the holder of the relevant retail client's portfolio assets (or if the holder is the retail client, by the Operator) that have been independently audited.



Inherent limitations

Because of the inherent limitations in any internal control structure it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Our reasonable assurance engagement is not designed to detect all weaknesses and errors in the internal control, and non-compliance with the Class Order and the Act relating to the provision of MDA services at all times during that financial year ended 30 June 2017 as the engagement has not been performed continuously throughout the period and the procedures performed on the Documented Controls and its meeting the requirements of the Class Order and the Act were undertaken on a test basis.

Further, the internal control structure, within which the Documented Controls operate, has not been audited and no opinion is expressed as to its effectiveness.

An audit is not designed to detect all weaknesses in the Documented Controls as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the evaluation of the Documented Controls to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Auditor's opinion

In our opinion, in relation to the provision of MDA services (as defined in the Class Order) by the Operator:

- the internal controls and other procedures of the MDA Operator and any other relevant person acting on behalf of the MDA operator for the year ended 30 June 2017, as documented in the attached 'Management Report on Internal Controls' dated 7 September 2017 were suitably designed and operated effectively, in all material respects, to provide reasonable, but not absolute assurance that the following have not been materially misstated in accordance with the specified basis of preparation:
 - i. the annual investor statements given under subparagraph 1.31(a) of the Class Order for the year ended 30 June 2017; and
 - ii. the quarterly reports for each quarter during the year ended 30 June 2017 that have been given under subparagraph 1.30(a) of the Class Order
- the aggregates of assets, liabilities, revenue and expenses shown in the annual investor statements provided by the Operator for the year ended 30 June 2017 have been properly reconciled in all material respects, to the corresponding amounts shown in reports prepared by the holder of any retail client's portfolio assets (or if the holder is the retail client, by the MDA Operator) that have been independently audited.



Restriction on distribution and use

The Documented Controls have been prepared by the Operator in order to meet their reporting requirements of the Class Order. As a result, the Documented Controls may not be suitable for another purpose. Our report is intended solely for the Operator and the Australian Securities and Investments Commission and should not be distributed to or used by parties other than the Operator and the Australian Securities and Investments Commissions. We disclaim any assumption of responsibility for any reliance on this report, or on the Documented Controls to which it relates, to any person other than the directors of the Operator and the Australian Securities and Investments Commission or for any other purpose than that for which it was prepared.

KPMG

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Sydney

7 September 2017