

CC JCB Active Bond Fund

ARSN 610 435 302

Interim Financial Report

for the half-year ended 31 December 2021

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These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2021 and any public announcements made in respect of CC JCB Active Bond Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These interim financial statements cover the CC JCB Active Bond Fund as an individual entity.

The Responsible Entity of the CC JCB Active Bond Fund is Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000.

Directors' report

The Directors of Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007), the Responsible Entity of CC JCB Active Bond Fund (the "Fund"), present their report together with the interim financial report of the Fund for the half-year ended 31 December 2021.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia.

JamiesonCooteBonds Pty Ltd is the Investment Manager of the Fund.

The Fund seeks to invest in a carefully researched and actively managed portfolio using fundamental and technical analysis to make bond security selections and adjust duration exposures with a view to generating the optimal risk-adjusted portfolio. Security selections are set with hard limits on entry and exit with both floors and ceilings being pre-determined before investments are acquired. The Investment Manager aims to deliver the benefits of a defensive bond allocation with the overlay of active management.

The Fund typically invests in bond securities that are AAA or AA rated, backed by a government, supranational or Public Finance Agency and issued in Australian dollars. Derivatives are used for interest rate hedging purposes or to replicate underlying bond securities in the form of futures contracts listed on the Australian Securities Exchange. All futures will be exchange-traded. The use of futures may generate some gearing to the Fund which the management team will control using a risk-adjusted framework.

The Fund aims to deliver investors with returns that outperform its benchmark, the Bloomberg AusBond Treasury 0+ Yr Index over rolling 3 year periods.

The Fund did not have any employees during the half-year.

There were no significant changes in the nature of the Fund's activities during the half-year.

Directors

The following persons held office as directors of Channel Investment Management Limited during or since the end of the half-year and up to the date of this report:

Mr G Holding	
Ms K Youhanna	
Mr S Jordan	
Mr J Yeo	Appointed 1 July 2021
Mr M Tibbet	Appointed 1 July 2021

The Responsible Entity has a Compliance Committee consisting of two independent persons and one non-independent person. This committee's role is to oversee the compliance requirements of the Fund operated by the Responsible Entity.

Review and results of operations

On 19 August 2020, Channel Investment Management Limited appointed Citibank N.A. (Citibank) as the custodian of the Fund and on 15 September 2020, the assets of the Fund were transferred from RBC Investor Services Trust to the new custodian, Citibank. There have been no other significant changes to the operations of the Fund since the beginning of the financial period. During the half-year, the Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The Fund's performance for Class A was -1.55% (net of fees) and for Class B was -1.45% (net of fees) for the half-year ended 31 December 2021. The Fund's benchmarks, the Bloomberg AusBond Treasury 0+ Yr Index returned -1.08% for the same period.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended 31 December 2021	Half-year ended 31 December 2020
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	(16,922)	5,083
Distributions - Class A		
Distributions paid and payable (\$'000)	2,049	8,622
Distributions (cents per unit)	0.26	0.99
Distributions - Class B		
Distributions paid and payable (\$'000)	882	3,578
Distributions (cents per unit)	0.28	1.27

Directors' report (continued)

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years;
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. 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.

The COVID-19 pandemic has presented significant challenges to global and domestic economies. Investment markets have been significantly disrupted by the pandemic which has caused uncertainty and increased market volatility. At the date of signing, there remains a high level of uncertainty regarding the extent and duration of the impact from the COVID-19 pandemic. The directors and investment manager continue to manage and monitor the actions taken to address negative impacts of the pandemic to the Fund.

Indemnification and insurance of officers and auditors

Insurance cover provided to either the officers of Channel Investment Management Limited or the auditors of the Fund is paid by Channel Investment Management Limited and not out of the assets of the Fund. So long as the officers of Channel Investment Management Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the interim financial statements and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the Directors of Channel Investment Management Limited, the Responsible Entity.



Mr G Holding
Director
Channel Investment Management Limited

Brisbane
4 March 2022



Auditor's Independence Declaration

As lead auditor for the review of CC JCB Active Bond Fund for the half-year ended 31 December 2021, I declare that 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Paul Collins
Partner
PricewaterhouseCoopers

Brisbane
4 March 2022

Statement of comprehensive income

		Half-year ended 31 December 2021 \$'000	Half-year ended 31 December 2020 \$'000
	Notes		
Investment income			
Interest income from financial assets at fair value through profit or loss		9,764	12,751
Net gains/(losses) on financial assets at fair value through profit or loss	4	(23,833)	(4,629)
Total net investment income		(14,069)	8,122
Expenses			
Management fees		2,254	2,402
Administration fees		579	614
Interest expense		14	16
Other expenses		6	7
Total operating expenses		2,853	3,039
Operating profit/(loss) for the half-year		(16,922)	5,083
Finance costs attributable to unit holders			
Distributions to unitholders		(2,931)	(12,200)
(Increase)/decrease in net assets attributable to unit holders		19,853	7,117
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income/(loss) for the half-year		-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 31 December 2021 \$'000	As at 30 June 2021 \$'000
Assets			
Cash and cash equivalents		12,253	10,636
Receivables		3,301	3,553
Financial assets at fair value through profit or loss	6	1,075,038	1,133,073
Total assets		1,090,592	1,147,262
Liabilities			
Distributions payable	5	2,931	4,975
Payables		461	461
Financial liabilities at fair value through profit or loss	6	-	98
Total liabilities		3,392	5,534
Net assets attributable to unitholders - liability	7	1,087,200	1,141,728

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

Statement of changes in equity

	Half-year ended 31 December 2021 \$'000	Half-year ended 31 December 2020 \$'000
Total equity at the beginning of the half-year	-	-
Comprehensive income for the half-year		
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income/(loss) for the half-year	<u>-</u>	<u>-</u>
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the half-year	<u>-</u>	<u>-</u>

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the half-year.

Changes in net assets attributable to unitholders are disclosed in Note 7.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

		Half-year ended 31 December 2021 \$'000	Half-year ended 31 December 2020 \$'000
	Notes		
Cash flows from operating activities			
Proceeds from maturity/sales of financial instruments at fair value through profit or loss		852,017	1,133,776
Purchase of financial instruments at fair value through profit or loss		(817,914)	(1,231,449)
Interest income received from financial assets at fair value through profit and loss		10,018	14,694
Management fees paid		(2,254)	(2,339)
Administration fees paid		(579)	(601)
Interest expense paid		(14)	(16)
Other expenses paid		(8)	(34)
Net cash inflow/(outflow) from operating activities		41,266	(85,969)
Cash flows from financing activities			
Proceeds from applications by unitholders	7	140,616	297,508
Payments for redemptions by unitholders	7	(176,920)	(191,138)
Distributions paid		(3,345)	(15,665)
Net cash inflow/(outflow) from financing activities		(39,649)	90,705
Net increase/(decrease) in cash and cash equivalents		1,617	4,736
Cash and cash equivalents at the beginning of the half-year		10,636	9,045
Cash and cash equivalents at the end of the half-year		12,253	13,781
Non-cash financing activities		1,630	6,436

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

Notes to the interim financial statements

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1 General information

These interim financial statements cover CC JCB Active Bond Fund (the "Fund") as an individual entity. The Fund was constituted on 8 February 2016, registered as a managed investment scheme on 9 February 2016 and commenced operations on 3 August 2016, and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Channel Investment Management Limited (ABN 22 163 234 240; AFSL 439007) (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000. The interim financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

JamiesonCooteBonds Pty Ltd is the investment manager of the Fund.

The Fund seeks to invest in a carefully researched and actively managed portfolio using fundamental and technical analysis to make bond security selections and adjust duration exposures (against the Benchmark) with a view to generating the optimal risk-adjusted portfolio. Security selections are set with hard limits on entry and exit with both floors and ceilings being pre-determined before investments are acquired. The Investment Manager aims to deliver the benefits of a defensive bond allocation with the overlay of active management.

The Fund typically invests in bond securities that are AAA or AA rated, backed by a government, supranational or Public Finance Agency and issued in Australian dollars. Derivatives are used for interest rate hedging purposes or to replicate underlying bond securities in the form of futures contracts listed on the Australian Securities Exchange. All futures are exchange-traded. The use of futures may generate some gearing to the Fund which the management team control using a risk-adjusted framework.

The Fund aims to deliver investors with returns that outperform the Bloomberg AusBond Treasury 0+ Yr Index over rolling 3 year

During the preparation of the financial statements for 30 June 2021, it was determined that the net assets attributable to unitholders should be classified as a liability under AASB 132. This reclassification has no impact on the result or entitlements to unitholders and is for disclosure purposes only.

2 Basis of preparation of interim financial statements

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2021 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim 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 interim financial statements.

(a) Significant accounting policies

The accounting policies in these interim financial statements are the same as those applied in the Fund's financial statements for the year ended 30 June 2021.

(b) New accounting standards and interpretations not yet adopted

There are no standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(c) Rounding of amounts to the nearest thousand dollars

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the interim financial statements and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

3 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

Fair value hierarchy

Classification of financial assets and financial liabilities

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

(a) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets (such as futures) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

3 Fair value measurement (continued)

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value according to the fair value hierarchy at 31 December 2021 and 30 June 2021:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2021				
Financial assets				
Fixed interest securities	-	1,074,557	-	1,074,557
Futures	481	-	-	481
Total financial assets	481	1,074,557	-	1,075,038
Financial liabilities				
Futures	-	-	-	-
Total financial liabilities	-	-	-	-
At 30 June 2021				
Financial assets				
Fixed interest securities	-	1,133,073	-	1,133,073
Total financial assets	-	1,133,073	-	1,133,073
Financial liabilities				
Futures	98	-	-	98
Total financial liabilities	98	-	-	98

4 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and liabilities at fair value through profit or loss:

	Half-year ended 31 December 2021 \$'000	Half-year ended 31 December 2020 \$'000
Financial assets		
Net gain/(loss) on financial assets at fair value through profit or loss	(16,268)	(4,629)
Net gains/(losses) on financial assets	(16,268)	(4,629)
Financial assets		
Net realised* gain/(loss) on financial assets at fair value through profit or loss	636	9,213
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	(16,904)	(13,842)
Net gains/(losses) on financial assets	(16,268)	(4,629)
Financial liabilities		
Net gain/(loss) on financial liabilities at fair value through profit or loss	(7,565)	-
Net gains/(losses) on financial liabilities	(7,565)	-
Financial liabilities		
Net realised* gain/(loss) on financial liabilities at fair value through profit or loss	(7,565)	-
Net gains/(losses) on financial liabilities	(7,565)	-
Total net gains/(losses) on financial instruments at fair value through profit or loss	(23,833)	(4,629)

*Realised gains and losses are recorded using the historical cost information.

5 Distribution to unitholders

The distributions declared during the half-year were as follows:

	Half-year ended		Half-year ended	
	31 December	31 December	31 December	31 December
	2021	2021	2020	2020
	\$'000	CPU	\$'000	CPU
Distributions - Class A				
December (payable)	2,049	0.26	8,622	0.99
Total distributions	2,049	0.26	8,622	0.99
Distributions - Class B				
December (payable)	882	0.28	3,578	1.27
Total distributions	882	0.28	3,578	1.27
Total distributions	2,931		12,200	

6 Financial instruments at fair value through profit or loss

	As at	
	31 December	30 June
	2021	2021
	\$'000	\$'000
Financial assets		
Fixed interest securities	1,074,557	1,133,073
Futures	481	-
Total financial assets at fair value through profit or loss	1,075,038	1,133,073
Financial liabilities		
Futures	-	98
Total financial liabilities at fair value through profit or loss	-	98
Total financial instruments at fair value through profit or loss	1,075,038	1,132,975

7 Net assets attributable to unitholders

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

	Half-year ended		Half-year ended	
	31 December	31 December	31 December	31 December
	2021	2021	2020	2020
	Units	\$'000	Units	\$'000
Class A				
Opening balance	788,779,550	797,300	714,294,674	746,442
Applications	89,833,568	91,030	232,674,168	244,403
Redemptions	(106,835,290)	(107,690)	(85,285,580)	(89,719)
Reinvestment of distributions	1,435,452	1,452	5,237,073	5,476
Increase/(decrease) in net assets attributable to unitholders	-	(13,676)	-	(5,590)
Closing balance	773,213,280	768,416	866,920,335	901,012
Class B				
Opening balance	338,851,752	344,428	326,050,502	342,439
Applications	48,789,844	49,585	50,357,428	53,105
Redemptions	(69,143,099)	(69,230)	(95,771,939)	(101,419)
Reinvestment of distributions	174,734	178	913,870	960
Increase/(decrease) in net assets attributable to unitholders	-	(6,177)	-	(1,527)
Closing balance	318,673,231	318,784	281,549,861	293,558
Closing balance		1,087,200		1,194,570

7 Net assets attributable to unitholders (continued)

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are two separate classes of units and each unit has the same rights attracting to it as all other units within the same class.

8 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 Fund as disclosed in the statement of financial position as at 31 December 2021 or on the results and cash flows of the Fund for the half-year ended on that date.

9 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2021 and 30 June 2021.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 5 to 14 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; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (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.

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



Mr G Holding
Director
Channel Investment Management Limited

Brisbane
4 March 2022



Independent auditor's review report to the unitholders of CC JCB Active Bond Fund

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of CC JCB Active Bond Fund (the Registered Scheme) which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors of the Responsible Entity's declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of CC JCB Active Bond Fund does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Registered Scheme's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Responsibilities of the directors of the Responsible Entity for the half-year financial report

The directors of the Responsible Entity are responsible for the preparation of the half-year 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 of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Registered Scheme's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A stylized, cursive signature of the PricewaterhouseCoopers firm, written in black ink.

PricewaterhouseCoopers

A stylized, cursive signature of Paul Collins, written in black ink.

Paul Collins
Partner

Brisbane
4 March 2022