

**BetaShares Australian Top 20 Equity Yield
Maximiser Fund (managed fund)**

ASX Code: YMAX

ARSN 155 637 648

**Condensed Interim Financial Report
for the half-year ended 31 December 2017**

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Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) (the "Fund"), present their report together with the financial statements of the Fund, for the half-year ended 31 December 2017 and the auditor's report thereon.

Responsible Entity

The Responsible Entity of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) is BetaShares Capital Ltd (ABN 78 139 566 868). The principal place of business of the Responsible Entity is Level 11, 50 Margaret Street, Sydney NSW 2000.

Principal activities

The principle activity of the Fund is to invest in accordance with the investment objectives and guidelines as set out in the Fund's current Product Disclosure Statement and its Constitution.

The Fund is a registered managed investment fund domiciled in Australia. It is an exchange traded managed fund that is traded on the Australian Securities Exchange (ASX).

The Fund aims to provide investors with exposure to a portfolio of 20 blue-chip Australian shares (as represented in the S&P/ASX 20 Index), while providing regular income, paid quarterly, that over the medium term exceeds the dividend yield of the portfolio of underlying shares. In addition, the Fund aims to provide lower overall volatility than the underlying share portfolio.

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 BetaShares Capital Ltd during or since the end of the financial half-year and up to the date of this report:

David Nathanson (appointed 21 September 2009)

Alex Vynokur (appointed 21 September 2009)

Taeyong Lee (appointed 12 August 2015)

Thomas Park (appointed 12 August 2015)

Review and results of operations

During the half-year, the Fund continued to invest 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 results of operations of the Fund is disclosed in the statement of comprehensive income. The income distributions payable by the Fund is disclosed in the statement of financial position. The income distributions paid and payable by the Fund is disclosed in Note 4 to the financial statements.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (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 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.

Further information on likely developments in the operation of the Fund and the expected results of its operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Directors' report (continued)

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 financial report and the 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.



David Nathanson
Director



Alex Vynokur
Director

Sydney
7 March 2018



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

To the Directors of BetaShares Capital Limited, the Responsible Entity for
BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) (the
"Scheme")

I declare that, to the best of my knowledge and belief, in relation to the review of the Scheme for the
half-year ended 31 December 2017 there have been:

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

KPMG

KPMG

Tim Aman
Partner
Sydney
7 March 2018

Condensed interim statement of comprehensive income

| | Notes | 31 December 2017 \$'000 | 31 December 2016 \$'000 |
|--|-------|----------------------------|----------------------------|
| Investment income | | | |
| Dividend and distribution income | | 10,194 | 7,747 |
| Net gains on financial instruments held at fair value through profit or loss | | 14,567 | 25,272 |
| Interest income | | 4 | 1 |
| Total net investment income | | <u>24,765</u> | <u>33,020</u> |
| Expenses | | | |
| Management fees | | 1,171 | 970 |
| Expense recoveries | | 401 | 363 |
| Transaction costs | | 397 | 276 |
| Other operating expenses | | 23 | 4 |
| Total operating expenses | | <u>1,992</u> | <u>1,613</u> |
| Operating profit before finance costs for the half-year | | <u>22,773</u> | <u>31,407</u> |
| Finance costs attributable to unitholders | | | |
| Distributions to unitholders | 4 | <u>(21,328)</u> | <u>(17,432)</u> |
| Change in net assets attributable to unitholders (total comprehensive income) | 3 | <u>1,445</u> | <u>13,975</u> |

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

Condensed interim statement of financial position

| | Notes | 31 December 2017 \$'000 | 30 June 2017 \$'000 |
|---|-------|----------------------------|------------------------|
| Assets | | | |
| Cash and cash equivalents | | 5,069 | 6,530 |
| Financial assets held at fair value through profit or loss | 5 | 396,154 | 384,159 |
| Due from broker | | 4,748 | 722 |
| Receivables | | 312 | 4,011 |
| Total assets | | <u>406,283</u> | <u>395,422</u> |
| Liabilities | | | |
| Financial liabilities held at fair value through profit or loss | 5 | 1,730 | 2,136 |
| Distributions payable | 4 | 8,143 | 6,443 |
| Other payables | | 279 | 252 |
| Total liabilities (excluding net assets attributable to unitholders) | | <u>10,152</u> | <u>8,831</u> |
| Net assets attributable to unitholders - liability | 3 | <u>396,131</u> | 386,591 |

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

Condensed interim statement of changes in equity

The Fund's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such, the Fund has no equity and no items of changes in equity have been presented for the current half-year or comparative period.

Condensed interim statement of cash flows

| | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Proceeds from maturity/sales of financial instruments held at fair value through profit or loss | 50,486 | 22,501 |
| Payments for maturity/purchase of financial instruments held at fair value through profit or loss | (52,346) | (34,684) |
| Interest received | 4 | 1 |
| Dividend and distribution received | 13,896 | 11,054 |
| Management fees paid | (1,146) | (944) |
| Expense recoveries paid | (401) | (363) |
| Transaction costs | (397) | (276) |
| Other operating expenses paid | (24) | (8) |
| Net cash inflow/(outflow) from operating activities | 10,072 | (2,719) |
| Cash flows from financing activities | | |
| Proceeds from applications by unitholders | 29,477 | 17,011 |
| Payments for redemptions by unitholders | (22,651) | - |
| Distributions paid | (18,359) | (15,353) |
| Net cash (outflow)/inflow from financing activities | (11,533) | 1,658 |
| Net decrease in cash and cash equivalents | (1,461) | (1,061) |
| Cash and cash equivalents at the beginning of the half-year | 6,530 | 3,644 |
| Cash and cash equivalents at the end of the half-year | 5,069 | 2,583 |
| Non-cash financing activities | 1,269 | 1,076 |

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

1 General information

These condensed interim financial statements cover BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) ("the Fund") as an individual entity. The Fund is a registered managed investment scheme under the *Corporations Act 2001*. The Fund was registered on 22 February 2012 and commenced operations on 22 November 2012. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Fund commenced if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law or equity. The Fund may be terminated in accordance with the provisions of the Fund's Constitution. The Fund is domiciled in Australia.

The Responsible Entity of the Fund is BetaShares Capital Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 50 Margaret Street, Sydney NSW 2000.

The Fund aims to provide investors with exposure to a portfolio of 20 blue-chip Australian shares (as represented in the S&P/ASX 20 Index), while providing regular income paid quarterly, that exceeds the dividend yield of the portfolio of underlying shares. In addition, the Fund aims to provide lower overall volatility than the underlying share portfolio.

The Fund is an exchange traded managed fund that is traded on the Australian Securities Exchange (ASX). The Fund has been admitted to trading status on the ASX under the AQUA rules.

The condensed interim financial statements were authorised for issue by the directors on 7 March 2018. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied to all periods presented.

(a) Basis of preparation

These general purpose condensed interim financial statements for the half-year ended 31 December 2017 have been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting*, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia.

These condensed interim financial statements do not include all the information of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any continuous disclosure requirements of the *Corporations Act 2001*.

The Fund operated solely in one segment which is the business of investment management within Australia.

The nature of Fund's operation is such that income and expenses are incurred in a manner which is not impacted by any form of seasonality.

The condensed interim financial statements are prepared based on an accruals concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid through out the half-year. It is prepared on the basis of fair value measurement of assets and liabilities except otherwise stated. The condensed interim financial statements are presented in Australian dollars, which is the Fund's functional currency rounded to the nearest thousand.

Use of estimates and judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and regularly reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB9: Financial instruments and applicable amendments (effective from 1 January 2018) was available for early adoption but has not been applied in these financial statements. AASB 9 replaces existing guidance on classification and measurements of financial assets and introduces additions relating to the classification and measurement of financial liabilities as part of the project to replace AASB 139: Financial instruments. It has also introduced new hedge accounting requirements and revised certain requirements of financial assets. AASB 9 becomes mandatory for the Fund's 30 June 2019 financial statements. Retrospective application of the standard is required.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard 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 Funds' main sources of income are interest, distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Funds' accounting policies or the amounts recognised in the financial statements.

There are no other 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.

3 Net assets attributable to unitholders

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 to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund (subject to applicable ASIC relief).

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

| | 31 December 2017 | | 31 December 2016 | |
|--|----------------------|------------------|----------------------|------------------|
| | No. of units '000 | Amount \$'000 | No. of units '000 | Amount \$'000 |
| Net assets attributable to unitholders | | | | |
| Opening balance | 43,339 | 386,591 | 35,123 | 307,760 |
| Applications | 3,300 | 29,477 | 1,900 | 17,011 |
| Redemptions | (2,500) | (22,651) | - | - |
| Units issued upon reinvestment of distributions | 145 | 1,269 | 121 | 1,076 |
| Change in net assets attributable to unitholders | - | 1,445 | - | 13,975 |
| Closing balance | 44,284 | 396,131 | 37,144 | 339,822 |

Capital risk management

The Fund considers their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of eligible unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to extend the year allowed for satisfaction of redemption of units or reject or spread redemptions in specified circumstances.

4 Distributions to unitholders

The distributions paid/payable for the half-year were as follows:

| | 31 December 2017 | | 31 December 2016 | |
|---------------------------------|------------------|--------------|------------------|--------------|
| | \$'000 | CPU | \$'000 | CPU |
| Distributions | | | | |
| Distribution paid - September | 13,185 | 29.18 | 9,963 | 27.86 |
| Distribution payable - December | 8,143 | 18.38 | 7,469 | 20.11 |
| Total distributions | 21,328 | 47.56 | 17,432 | 47.97 |

5 Financial instruments held at fair value through profit or loss

| | 31 December 2017 \$'000 | 30 June 2017 \$'000 |
|--|-------------------------------|---------------------------|
| Financial assets | | |
| <i>Designated at fair value through profit or loss</i> | | |
| Listed securities | 396,154 | 384,159 |
| Total financial assets held at fair value through profit or loss | 396,154 | 384,159 |
| Financial liabilities | | |
| <i>Held for trading</i> | | |
| Derivatives (options) | 1,730 | 2,136 |
| Total financial liabilities held at fair value through profit or loss | 1,730 | 2,136 |

6 Fair value measurements

Fair value estimation

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in statement of comprehensive income.

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

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in the 30 June 2017 financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate 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.

6 Fair value measurements (continued)

Fair value estimation (continued)

(ii) 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 management's 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 equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

(iii) Recognised fair value measurements

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2017 and 30 June 2017.

| At 31 December 2017 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Financial assets | | | | |
| Financial assets designated at fair value through profit or loss | | | | |
| Listed securities | 396,154 | - | - | 396,154 |
| Total | 396,154 | - | - | 396,154 |
| Financial liabilities | | | | |
| Financial liabilities held for trading - Listed options | 1,730 | - | - | 1,730 |
| Total | 1,730 | - | - | 1,730 |
| | | | | |
| At 30 June 2017 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial assets | | | | |
| Financial assets designated at fair value through profit or loss | | | | |
| Listed securities | 384,159 | - | - | 384,159 |
| Total | 384,159 | - | - | 384,159 |
| Financial liabilities | | | | |
| Financial liabilities held for trading - Listed options | 2,136 | - | - | 2,136 |
| Total | 2,136 | - | - | 2,136 |

6 Fair value measurements (continued)

Fair value estimation (continued)

(iv) Transfers between levels

There were no transfers between levels for the half-year ended 31 December 2017 and the year ended 30 June 2017.

(v) Movement in Level 3 instruments

There were no investments classified as Level 3 within the Fund as at 31 December 2017 and 30 June 2017.

(vi) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables approximate their fair values.

Net assets attributable to unitholders carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. The difference is not material in the current period.

7 Events occurring after the reporting period

No significant events have occurred since the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 31 December 2017 or on the results and cash flows of the Fund for the half-year ended on that date.

8 Related party transactions

There have been no significant changes to the related party transactions disclosed in the previous annual report.

All transactions with related parties are conducted on normal terms and conditions. From time to time the Responsible Entity or its director-related entities may invest or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other fund investors and are trivial and domestic in nature.

9 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2017 and 30 June 2017.

Directors' declaration

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund):

- (a) the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2017 and of its performance for the financial period 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 of BetaShares Capital Ltd.



David Nathanson
Director



Alex Vynokur
Director

Sydney
7 March 2018



Independent Auditor's Review Report

To the unitholders of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) ("the Scheme")

Conclusion

We have reviewed the accompanying **Condensed Interim Financial Report** of the Scheme.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Report of the Scheme is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Report** comprises:

- Condensed interim statement of financial position as at 31 December 2017;
- Condensed interim statement of comprehensive income, Condensed interim statement of changes in equity and Condensed interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

Responsibilities of the Directors for the Condensed Interim Financial Report

The Directors of the Scheme are responsible for:

- the preparation of the Condensed Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Condensed Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Condensed Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Scheme's financial position as at 31 December 2017 and its performance for the half-year period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations*

Regulations 2001. As auditor of the Schemes, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Condensed Interim Period 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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Kem B

KPMG



Tim Aman

Partner

Sydney

7 March 2018