



Independent audit report by the auditor to the Board of Directors of Patersons Securities Limited on internal controls relating to annual summaries

Scope

We have audited the internal controls and other procedures of Patersons Securities Limited (the Operator), and any relevant person acting on the Operator's behalf, as operator of Accolade Plus, for the year ended 30 June 2018. 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 summaries, given under paragraph 912AEF(4)(a) of ASIC Corporations (Managed Discretionary Accounts) Instrument 2016/968 (the Instrument) and ASIC Class Order 2016/986 (the Class Order) for the year ended 30 June 2018 (Annual Summaries) and
 - (ii) quarterly reports for each quarter during the year ended 30 June 2018 that have been given under paragraph 912AEF(2)(a) of the Instrument and 1.30(a) of the Class Order (Quarterly Reports)
 - (iii) information made accessible electronically under paragraph 912AEF(2)(b) of the Instrument and 1.30(b) of the Class Order in respect of the year ended 30 June 2018;
- (b) the aggregate of assets, liabilities, revenue and expenses shown in the Annual Summaries 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 the preparation, presentation and accuracy of the information included in the Annual Summaries and Quarterly Reports. The directors of the Operator have determined that the accounting policies used and described in the annual investor statements and quarterly reports (the specified basis of preparation), including the basis of accounting, are appropriate to meet the requirements of the Instrument and Class Order. No opinion is expressed as to whether the specified basis of preparation is appropriate to the needs of the Operator's clients.

Our audit has been conducted in accordance with the Australian Standards ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls* and, accordingly, included such tests and procedures as we considered necessary in the circumstances.

Our procedures included obtaining an understanding of controls relevant to the preparation of the summaries and information referred to in paragraph (a) above and an examination, on a test basis, of evidence supporting their design suitability and operational effectiveness to enable the Operator to produce those summaries and information without material misstatement. Our procedures also included testing that the aggregate of assets, liabilities, revenue and expenses shown in the Annual Summaries provided by the Operator for the year ended 30 June 2018 had been properly reconciled in all material respects to the corresponding amounts shown in the 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.

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These procedures have been undertaken to form an opinion whether, in relation to the provision of MDA services (as defined in the Instrument and Class Order) by the Operator:

- the controls were suitably designed and operated effectively in all material respects to ensure that the Annual Summaries and Quarterly Reports referred to in paragraph (a) above have not been materially misstated; and
- the aggregates of assets, liabilities, revenue and expenses shown in the Annual Summaries provided by the Operator for the year ended 30 June 2018 have been properly reconciled to the corresponding amounts shown in the 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.

This report has been prepared for the directors of the Operator to assist the Operator to meet its reporting obligations under the Instrument and Class Order. We disclaim responsibility for any reliance on this report for any other purpose.

Inherent limitations

Because of the inherent limitations in any internal control structure, it is possible that fraud, errors or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the 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 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 controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

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

- the internal controls and other procedures of the Operator and any relevant person acting on the Operator's behalf for the year ended 30 June 2018, as documented in Paterson's Policies and Procedures 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 Summaries given under paragraph 912AEF(4)(a) of the Instrument and 1.31(a) of the Class Order for the year ended 30 June 2018; and
 - (ii) the Quarterly Reports for each quarter during the year ended 30 June 2018 that have been given under paragraph 912AEF(2)(a) of the Instrument and 1.30(a) of the Class Order



- (iii) the information made accessible electronically under paragraph 912AEF(2)(b) of the Instrument and 1.30(b) of the Class Order in respect of the year ended 30 June 2018; and
- the aggregate of assets, liabilities, revenue and expenses shown in the Annual Summaries provided by the Operator for the year ended 30 June 2018 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.

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A handwritten signature in black ink, appearing to be 'W.P.R. Meston', written in a cursive style.

William P R Meston
Partner

28 September 2018