

PIMCO Income Fund

ARSN 608 585 324

Annual report

For the year ended 30 June 2020

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This annual report covers PIMCO Income Fund as an individual entity.

The Responsible Entity of PIMCO Income Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505).

The Responsible Entity's registered office is:

Level 19, 5 Martin Place
Sydney, NSW 2000.

Directors' report

The directors of PIMCO Australia Management Limited, the Responsible Entity of PIMCO Income Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2020.

Principal activities

The Fund invests in the PIMCO Funds: Global Investors Series plc - Income Fund (the "Underlying Fund") in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's constitution. The Underlying Fund invests in a diversified portfolio of fixed income instruments of varying maturities.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	PIMCO Australia Management Limited
Investment Manager	PIMCO Australia Pty Limited
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	PricewaterhouseCoopers

Directors

The following persons held office as directors of PIMCO Australia Management Limited during or since the end of the year and up to the date of this report:

Adrian P Stewart	
Michael Cheng	(retired from board 1 July 2019)
Eric P Frerer	(retired from board 1 July 2019)
Kimberley Stafford	
V Mangala Ananthanarayanan	(appointed to board 1 July 2019)
Brendon D Rodda	(appointed to board 1 July 2019)

Review and results of operations

During the year, the Fund continued to invest its funds in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance for the year ended 30 June 2020 was (1.11%) (net of fees). The Fund's benchmark, Bloomberg Barclays Global Aggregate Index (AUD Hedged), returned 5.18% for the same period.

Directors' report (continued)

Review and results of operations (continued)

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

	Year ended	
	30 June 2020	30 June 2019
Operating profit/(loss) for the year (\$'000)	(17,548)	31,150
Distributions		
Distributions (\$'000)	34,793	17,479
Distributions (cents per unit)	4.00	4.00

Significant changes in the state of affairs

Beginning in January 2020, global financial markets experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have adversely affected the global economy, the economies of certain nations and individual issuers, all of which have potentially impacted the Funds' performance.

Other than the above, there were no other significant events during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may have a significant effect on:

- (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 Fund's Product Disclosure Statement and the provisions of the Fund's Constitution.

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.

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to insurance coverage provided to the officers of PIMCO Australia Management Limited. So long as the officers of PIMCO Australia 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.

Indemnification of auditor

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

Directors' report (continued)

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 15 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 15 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

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 5.

This report is made in accordance with a resolution of the directors of PIMCO Australia Management Limited.



Director

Sydney
24 September 2020



Auditor's Independence Declaration

As lead auditor for the audit of PIMCO Income Fund for the year ended 30 June 2020, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'CJ Cummins'.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
24 September 2020

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of comprehensive income

	Note	Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000
Investment income			
Interest income from financial assets at amortised cost		31	16
Distribution income		33,367	16,785
Net gains/(losses) on financial instruments at fair value through profit or loss	5	(44,036)	17,779
Other income		4	-
Total investment income/(loss)		<u>(10,634)</u>	<u>34,580</u>
Expenses			
Management fee	15	6,881	3,430
Transactional and Operational costs		33	-
Total expenses		<u>6,914</u>	<u>3,430</u>
Profit/(loss) for the year		<u>(17,548)</u>	<u>31,150</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(17,548)</u>	<u>31,150</u>

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

Statement of financial position

		As at	
		30 June 2020	30 June 2019
	Note	\$'000	\$'000
Assets			
Cash and cash equivalents	10	1,397	388
Receivables	12	824	16,769
Receivable for units redeemed		1,710	-
Financial assets at fair value through profit or loss	6	<u>968,883</u>	<u>605,965</u>
Total assets		<u>972,814</u>	<u>623,122</u>
Liabilities			
Distributions payable	9	3,163	1,882
Payables	13	4,771	1,257
Payable for units purchased		-	16,614
Total liabilities		<u>7,934</u>	<u>19,753</u>
Net assets attributable to unit holders - equity	8	<u>964,880</u>	<u>603,369</u>

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

Statement of changes in equity

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Total equity at the beginning of the year	603,369	354,671
Comprehensive income for the year		
Profit/(loss) for the year	(17,548)	31,150
Other comprehensive income	-	-
Total comprehensive income	<u>(17,548)</u>	<u>31,150</u>
Transactions with unit holders		
Applications	657,805	334,364
Redemptions	(246,182)	(100,057)
Reinvestment of distributions	2,229	720
Distributions paid and payable	<u>(34,793)</u>	<u>(17,479)</u>
Total transactions with unit holders	<u>379,059</u>	<u>217,548</u>
Total equity at the end of the year	<u>964,880</u>	<u>603,369</u>

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

Statement of cash flows

	Note	Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		130,071	35,956
Purchase of financial instruments at fair value through profit or loss		(521,982)	(237,740)
Interest income received		31	16
Other income (paid)		(232)	(169)
Management fee paid		(4,087)	(3,147)
Transactional and Operational costs paid		(33)	-
Net cash inflow/(outflow) from operating activities	11(a)	<u>(396,232)</u>	<u>(205,084)</u>
Cash flows from financing activities			
Proceeds from applications by unit holders		673,986	321,218
Payments for redemptions by unit holders		(245,462)	(99,748)
Distributions paid to unit holders		(31,283)	(16,015)
Net cash inflow/(outflow) from financing activities		<u>397,241</u>	<u>205,455</u>
Net increase/(decrease) in cash and cash equivalents		1,009	371
Cash and cash equivalents at the beginning of the year		<u>388</u>	<u>17</u>
Cash and cash equivalents at the end of the year	10	<u>1,397</u>	<u>388</u>
Non-cash operating and financing activities	11(b)	35,596	17,505

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

Notes to the financial statements

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1 General information

These financial statements cover PIMCO Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 1 October 2015 and will terminate on 30 September 2095, unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505) (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, 5 Martin Place, Sydney, NSW 2000. The financial statements are presented in Australian dollars unless otherwise noted.

The Fund invests in the PIMCO Funds: Global Investors Series plc - Income Fund (the "Underlying Fund") in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's constitution. The Underlying Fund invests in a diversified portfolio of fixed income instruments of varying maturities.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime effective 1 July 2017, the Fund's Constitution has been amended. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Fund have been re-classified from a financial liability to equity on 1 July 2017, see Note 8 for further information.

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 all years 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 Fund 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.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at the reporting date.

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 Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standards, amendments and interpretations not yet adopted

A number of other new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial asset and liabilities at fair value through profit or loss

(i) Classification

Assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Responsible Entity evaluates the information about these financial assets on a fair value basis together with other related financial information.

Equity securities are measured at fair value through profit or loss.

For cash and cash equivalents, other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI).

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date forward.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

(iii) Measurement

At initial recognition, the Fund measures financial assets at fair value, plus in the case of a financial asset not measured at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

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 year without any deduction for estimated future selling costs. The Fund utilises the Fund's Price Source Agreement ("PSA prices") for its valuation inputs for both quoted financial assets and financial liabilities.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains/losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

Subsequent to initial recognition, financial assets measured at amortised cost will use the effective interest rate method and are presented net of provisions for impairment.

2 Summary of significant accounting policies (continued)

(b) Financial asset and liabilities at fair value through profit or loss (continued)

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(c) Net assets attributable to unit holders

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

The Fund's units are classified as equity as they satisfy all the above criteria.

(d) Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate.

Distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within distribution income when the Fund's right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(f) Expenses

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

2 Summary of significant accounting policies (continued)

(g) Income tax

Under AMIT legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

(h) Distributions

The Fund distributes income as determined by the Responsible Entity of the Fund. Distributions are recognised in the statement of changes in equity.

(i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders.

(j) Foreign currency translation

(i) Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(k) Receivables for units redeemed/payables for units purchased

Amounts receivable for units redeemed/payable for units purchased represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The receivable for units redeemed balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts receivable for units redeemed at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(l) Receivables

Receivables may include income receivable and applications receivable. Amounts are generally received within 30 days of being recorded as receivables.

Accrued income may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of the period from the time of last payment.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the

2 Summary of significant accounting policies (continued)

(l) Receivables (continued)

credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(m) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. As the Fund has a contractual obligation to distribute its distributable income, once the determination to distribute has been made by the Responsible Entity of the Fund, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

These balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

(n) Hedge accounting

The Fund does not apply hedge accounting.

(o) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(p) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) Use of estimates

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

For more information on how fair value is calculated refer to Note 4 to the financial statements.

The adoption of AASB 9 introduced a new expected credit loss (ECL) impairment model, which has not materially impacted the Fund. Please see note 3 for more information on credit risk.

2 Summary of significant accounting policies (continued)

(r) Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

(s) Comparative information

The Responsible Entity has amended the presentation of fees and costs within this report to better align to the Product Disclosure Statement. For the comparative period, in the statement of comprehensive income:

- "Other expenses" have been reclassified to "Management fees"; and
- "Custody fees" have been reclassified to "Management fees" or "Transactional and Operational Costs", depending on the nature of these expenses.

There has been no change to the fees and costs incurred by the Fund for the year ended 30 June 2020 as a result of this change in presentation.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All investments present a risk of loss of capital. The maximum loss of capital on unit trusts is limited to the fair value of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, PIMCO Australia Pty Limited (the "Investment Manager") under an Investment Management Agreement (IMA) agreed with the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Fund's Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include Value at Risk ("VaR") analysis in the case of market risks, and ratings analysis for credit risk.

(a) Market risk

(i) Price risk

The Fund is exposed to price risk through its investments in the Underlying Fund, for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The Underlying Fund mitigates price risk with specific risk controls.

The price risk disclosures have been prepared on the basis of the Fund's direct investment and not on a look through basis for investments held indirectly.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of adverse price movements. The Investment Manager considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the Fund's investment objectives.

The Investment Manager uses a number of quantitative techniques to assess the impact of market risks including credit events, changes in interest rates, credit spreads and recovery values on the Fund's investment portfolio. The Investment Manager uses VaR analysis, a technique widely used by financial institutions to quantify, assess, and report market risk. VaR is a statistical framework that supports the quantification of market risk within a portfolio at a specified confidence interval over a defined holding period. VaR seeks to quantify the expected maximum dollar losses that may result from the interactive behaviour of all material market prices, spreads, volatilities, and rates based on the historically observed relationships between these markets.

Although the use of derivatives (whether for hedging or investment purposes) may give rise to additional leveraged exposure, any such additional exposure will be covered and will be risk managed using the VaR methodology. The Investment Manager monitors portfolio risk using market factor exposures on a daily basis.

Potential market risk is calculated using the factor model approach. VaR is calculated and reported automatically each day using the closing prices and market information of the most recent business day. Depending on the application of the risk statistics, various confidence levels (such as 99%) and time horizons (weeks, months, or year) might be selected.

In addition to daily VaR measures, three types of stress tests are also conducted for each Fund. The first test includes scenario duration tests that measure what happens to the value of the portfolio if unexpected movements in yields occur in the market. The second test involves a database of historical crisis scenarios that can be executed to test reactions to these crises. The historical crisis scenarios contain many unexpected changes in market conditions and correlation matrices. The third test involves correlation matrices which can be manipulated manually to reflect conditions that may happen in the future but have not happened so far.

The daily VaR measures for the portfolios are an estimate, using a confidence level of 99%, of the potential worst case portfolio loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one month. The use of a 99% confidence level means that, within a one month horizon, losses exceeding the VaR figure should not occur, on average, more than once every one hundred months. For example when a portfolio is estimated to have a VaR of \$1 million over a monthly horizon at the 99 percent confidence level, under normal market conditions, the expected losses should not exceed \$1 million over the next eight year period (with 99% probability). The following table sets out the potential maximum monthly risk of loss for the portfolios as at 30 June 2020 and 30 June 2019 as indicated by the VaR model:

	As at 30 June 2020		As at 30 June 2019	
	VaR (A\$'000)	% of Net Assets	VaR (A\$'000)	% of Net Assets
PIMCO Income Fund	53,068	5.500	9,051	1.500

Not all risks to which the portfolio may be exposed are intended to be captured by the VaR and, in particular, the framework does not seek to capture liquidity risk, counterparty credit risk, or extreme credit events such as an issuer default. In practice, the actual trading results will differ from the VaR and may not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored to test the validity of the assumptions and parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

(ii) Foreign exchange risk

The Fund does not have any significant direct exposure to foreign exchange risk based on the Fund's direct investment in the Underlying Fund, which issues units denominated in Australian dollars. However, the Underlying Fund may hold

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

investments denominated in foreign currencies. The foreign exchange risk relating to the Underlying Fund is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

(iii) Interest rate risk

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible, thus limiting the exposure of the Fund to interest rate risk.

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents, receivables and receivable for units redeemed balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2020 and 30 June 2019, all receivables, receivable for units redeemed, cash and short-term deposits were held with counterparties with a credit rating of AA/Aa or higher and were either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(c) Liquidity risk

Liquidity risk is the risk that the Fund 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 Fund may arise from the requirement to meet daily unit holder redemption requests or to fund foreign exchange related cash flow requirements.

The Fund invests the majority of its assets in the Underlying Fund and is therefore dependent on the Underlying Fund to maintain sufficient liquidity to meet redemption requests by the Fund. While the Fund can generally redeem from the Underlying Fund on demand, the Responsible Entity of the Underlying Fund can delay or suspend redemptions in the event that the Underlying Fund is unable to meet the Fund's redemption requests. The Fund's liquidity risk is managed in accordance with the Fund's investment strategy. The Fund manages liquidity risk by maintaining adequate banking facilities or cash and through continuous monitoring of forecast and actual cash flows.

In order to manage the Fund'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 Fund did not reject or withhold any redemptions during 2020 and 2019.

4 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.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

4 Fair value measurement (continued)

- 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 Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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

The fair value of financial assets and liabilities traded in active markets 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.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The Fund utilises the PSA prices for its fair value inputs for both quoted financial assets and financial liabilities.

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) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2020 and 30 June 2019.

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss:				
Unit trusts*	<u>968,883</u>	-	-	<u>968,883</u>
Total financial assets at fair value through profit or loss	<u>968,883</u>	-	-	<u>968,883</u>
As at 30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss:				
Unit trusts*	<u>605,965</u>	-	-	<u>605,965</u>
Total financial assets at fair value through profit or loss	<u>605,965</u>	-	-	<u>605,965</u>

*The Underlying Fund calculates a daily net asset value (NAV) and applications and redemptions are transacted using the NAV. While prices are quoted on the Irish Stock Exchange, applications and redemptions are made through the Underlying Fund and are not transacted through an exchange.

4 Fair value measurement (continued)

(c) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(d) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior reporting period.

5 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:

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	(7,967)	(273)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>(36,069)</u>	<u>18,052</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>(44,036)</u>	<u>17,779</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>(44,036)</u>	<u>17,779</u>

6 Financial assets at fair value through profit or loss

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Financial assets at fair value through profit or loss		
Unit trusts	<u>968,883</u>	<u>605,965</u>
Total financial assets at fair value through profit or loss	<u>968,883</u>	<u>605,965</u>

7 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangement.

The Fund considers all investments in managed investment schemes (the "Schemes") to be structured entities. The Fund invests in Schemes for the purpose of capital appreciation and/or earning investment income.

7 Structured entities (continued)

The exposure to investments in Schemes at fair value is disclosed in the following table:

	Fair value of investment	
	30 June 2020 \$'000	30 June 2019 \$'000
PIMCO Funds: Global Investors Series plc - Income Fund	968,883	605,965

The fair value of the Schemes is included in financial assets at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interest in the Schemes is equal to the fair value of its investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Fund has disposed of its units in a Scheme, it ceases to be exposed to any risk from that Scheme.

During the year ended 30 June 2020, total gains/(losses) incurred on investments in the Schemes were \$(44,035,530) (2019: \$17,779,388). The Fund also earned distribution income of \$33,367,322 (2019: \$16,785,202) as a result of its interests in the Schemes.

8 Net assets attributable to unit holders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund classifies the net assets attributable to unit holders as equity as they satisfy the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund'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
- 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 Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

Net assets attributable to unit holders are classified as equity, the Fund's distributions are classified as distributions paid and payable in the statement of changes in equity.

8 Net assets attributable to unit holders (continued)

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

	Year ended			
	30 June 2020 Units'000	30 June 2020 \$'000	30 June 2019 Units'000	30 June 2019 \$'000
Opening balance	565,116	603,369	341,613	354,671
Applications	625,669	657,805	318,920	334,364
Redemptions	(243,164)	(246,182)	(96,110)	(100,057)
Reinvestment of distributions	2,143	2,229	693	720
Distributions paid and payable	-	(34,793)	-	(17,479)
Profit/(loss) for the year	-	(17,548)	-	31,150
Closing balance	949,764	964,880	565,116	603,369

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

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, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund 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 Fund's underlying assets on a daily basis (business days) 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 defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders.

9 Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended			
	30 June 2020 \$'000	30 June 2020 CPU	30 June 2019 \$'000	30 June 2019 CPU
Distributions				
September	7,338	1.00	3,860	1.00
December	8,896	1.00	4,227	1.00
March	9,276	1.00	4,332	1.00
June	<u>9,283</u>	<u>1.00</u>	<u>5,060</u>	<u>1.00</u>
Total distributions	<u>34,793</u>	<u>4.00</u>	<u>17,479</u>	<u>4.00</u>

During the year ended 30 June 2020, the Fund made distributions monthly as per the Fund's Product Disclosure Statement. Distributions disclosed under each quarter consist of monthly distributions made in each quarter and quarter end. The distributions disclosed under the June 2020 quarter-end consist of the distributions made in April, May and June out of which \$3,163,170 is payable as of the year ended 30 June 2020.

10 Cash and cash equivalents

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Cash at bank	<u>1,397</u>	<u>388</u>
Total cash and cash equivalents	<u>1,397</u>	<u>388</u>

These accounts are earning a floating interest rate of 0.00% as at 30 June 2020 (30 June 2019: 0.10%).

11 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	(17,548)	31,150
Proceeds from sale of financial instruments at fair value through profit or loss	130,071	35,956
Purchase of financial instruments at fair value through profit or loss	(521,982)	(237,740)
Net (gains)/losses on financial instruments at fair value through profit or loss	44,036	(17,779)
Net change in receivables	(236)	(169)
Net change in payables	2,794	283
Distribution income reinvested	(33,367)	(16,785)
Net cash inflow/(outflow) from operating activities	<u>(396,232)</u>	<u>(205,084)</u>
(b) Non-cash operating and financing activities		
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	2,229	720
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	33,367	16,785
Total non-cash operating and financing activities	<u>35,596</u>	<u>17,505</u>

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it is paid.

12 Receivables

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Applications receivable	332	16,513
GST receivable	492	171
Other receivables	-	85
Total receivables	<u>824</u>	<u>16,769</u>

13 Payables

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Management fee payable	3,660	866
Redemptions payable	<u>1,111</u>	<u>391</u>
Total payables	<u>4,771</u>	<u>1,257</u>

14 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2020 \$	30 June 2019 \$
PricewaterhouseCoopers Australian Firm		
Audit and review of financial reports	25,812	26,930
Audit of compliance plan	<u>4,833</u>	<u>4,692</u>
Total remuneration of PricewaterhouseCoopers Australian Firm	<u>30,645</u>	<u>31,622</u>

The auditor's remuneration is borne by the Fund. Fees are stated net of GST.

The remuneration of PricewaterhouseCoopers Australian Firm is included in Management fee.

15 Related party transactions

The Responsible Entity of PIMCO Income Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505). Accordingly, transactions with entities related to PIMCO Australia Management Limited are disclosed below.

The Responsible Entity has contracted services to PIMCO Australia Pty Limited, to act as Investment Manager for the Fund, and State Street Australia Limited to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

15 Related party transactions (continued)

(a) Key management personnel

(i) Directors

Key management personnel include persons who were directors of PIMCO Australia Management Limited at any time during or since the end of the financial year and up to the date of this report.

Adrian P Stewart	
Michael Cheng	(retired from board 1 July 2019)
Eric P Frerer	(retired from board 1 July 2019)
Kimberley Stafford	
V Mangala Ananthanarayanan	(appointed to board 1 July 2019)
Brendon D Rodda	(appointed to board 1 July 2019)

(ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

(b) Transactions with key management personnel

The following transactions occurred with key management personnel of PIMCO Australia Management Limited during the financial year ended 30 June 2020 and 2019:

	Year ended	
	30 June 2020 \$	30 June 2019 \$
PIMCO Income Fund - Unitholders(s) (aggregate)		
Applications for units	489	490
Redemption of units	-	-
Distribution	494	491
Total	983	981

(c) Key management personnel unit holdings

Key management personnel of PIMCO Australia Management Limited have the following unit holdings in the Fund as follows:

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
As at 30 June 2020							
PIMCO Income Fund - Unitholders(s) (aggregate)	12,535	13,025	13,232	-	490	-	494

15 Related party transactions (continued)

(c) Key management personnel unit holdings (continued)

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
As at 30 June 2019							
PIMCO Income Fund - Unitholders(s) (aggregate)	12,063	12,535	13,384	-	472	-	491

(d) Key management personnel compensation

Key management personnel were not paid by the Responsible Entity during the reporting period. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

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

(f) Other transactions within the Fund

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

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

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

Management fees are calculated with reference to the rate in the applicable Product Disclosure Statement. Ordinary expenses such as those payable to the Investment Manager, Responsible Entity, Custodian, Administrator, Auditor and other ordinary expenses of operating the Fund are paid out of the management fee. Accordingly in the comparative periods, responsible entity fees have been reclassified to management fees.

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
Management fee expense for the year	6,881,730	3,430,111
Total management fee payable at year end	3,660,398	865,838

15 Related party transactions (continued)

(h) Related party unit holdings

Parties related to the Fund (including PIMCO Australia Management Limited, its related parties and other schemes managed by PIMCO Australia Management Limited and the Investment Manager) held no units in the Fund as at 30 June 2020 (2019: Nil).

(i) Investments

The Fund held investments in the following schemes which are also managed by PIMCO Australia Management Limited or its related parties:

	Fair value of investments \$	Interest held %	Distributions received \$	Distributions receivable \$	Units acquired during the year	Units disposed during the year
As at 30 June 2020						
PIMCO Funds: Global Investors Series plc - Income Fund	968,883,256	1.04	33,367,322	-	49,009,929	(12,747,809)
	Fair value of investments \$	Interest held %	Distributions received \$	Distributions receivable \$	Units acquired during the year	Units disposed during the year
As at 30 June 2019						
PIMCO Funds: Global Investors Series plc - Income Fund	605,965,050	0.58	16,785,202	-	24,617,633	(3,339,832)

16 Events occurring after the reporting period

The effects of COVID-19 continues and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may impact the Funds' performance. Given the inherent uncertainties, it is not practicable at this time to determine what impact COVID-19 will have on the Fund or to provide a quantitative estimate of any future impact.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 28 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 30 June 2020 and of its performance for the financial year 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 PIMCO Australia Management Limited.



Director

Sydney
24 September 2020



Independent auditor's report

To the unitholders of PIMCO Income Fund

Our opinion

In our opinion:

The accompanying financial report of PIMCO Income Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors of the Responsible Entity's declaration.

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

Independence

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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, including the Directors' report, but does not include the financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Registered Scheme 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 of the Responsible Entity determines 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 of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Registered Scheme 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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

PricewaterhouseCoopers

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

CJ Cummins
Partner

Sydney
24 September 2020