

Powerwrap Scheme

ARSN 137 053 073

Annual Financial Report
For the Year ended 30 June 2022

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

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Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Directors' Report

The Directors of Powerwrap Limited (ABN 67 129 756 850), the Responsible Entity of the Powerwrap Scheme (the "Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2022. This financial report has been prepared for the Powerwrap Scheme, an Australian registered managed investment scheme, as it is a disclosing entity under the *Corporations Act 2001*.

The following persons were Directors of the Responsible Entity during the whole of the financial year and up to the date of this report (unless otherwise stated):

Directors' names

Anthony Wamsteker
Anna Itsiopoulos
James Edmonds

Responsible Entity

The Responsible Entity of the Scheme is Powerwrap Limited (ABN 67 129 756 850) (the "Responsible Entity"). The registered office and principal place of business of the Responsible Entity and the Scheme is Level 19, 367 Collins Street, Melbourne, VIC, 3000, Australia.

Custody fees are paid by the Responsible Entity from its management fee, not directly by the Scheme.

The Responsible Entity is incorporated and domiciled in Australia

Service Information

The Scheme is an Investor Directed Portfolio Service ("IDPS")-like scheme, registered with the Australian Securities and Investment Commission ("ASIC") as a registered managed investment scheme and is domiciled in Australia. The Scheme holds investment assets at the discretion of the individual investors. Individual investors retain the beneficial ownership in investment assets held in respective portfolio through the Scheme.

Principal activities

The principal activity of the Scheme during the year was the investment of investors' funds in accordance with the direction of investors as outlined in the product disclosure statement, including the maintenance of model portfolios within the stated asset allocation ranges. The asset categories are investments in Australian and International cash, Australian and International equities, fixed interest securities and unlisted managed investment schemes. There has been no significant change in the nature of this activity during the year.

The Scheme did not have any employees during the year.

Review and results of operations

During the year, the Scheme continued to engage in its principal activity, the results of which are disclosed in the attached Financial Statements.

For the financial year ended 30 June 2022, loss before finance costs attributable to investors was \$369,787,045 (30 June 2021: profit of \$813,883,516). As all net income is directly attributable to the investors, the Scheme does not pay distributions.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Directors' Report (continued)

Events occurring during the year

Unless otherwise stated elsewhere in the financial report, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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

Significant changes in state of affairs

There have been no significant changes in the Scheme's state of affairs during the year.

Environmental regulation

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

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Scheme. So long as the officers of the Responsible Entity act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme.

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

Rounding of amounts

The Scheme is an entity of a kind referred to in the *ASIC Corporations (Rounding in Financials/Directors' Reports) Instruments 2016/191*, dated 24 March 2016 and therefore the amounts in the directors' report and the annual financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s.307C of the *Corporation Act 2001* in relation to the review for the year is provided with this report.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Directors' Report (continued)

The financial report was authorised for issuance by the directors on 28 September 2022.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.



Anthony Wamsteker
Director
28 September 2022
Melbourne



Anna Itsiopoulos
Director
28 September 2022
Melbourne

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Insert Auditor's Independence Declaration

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2022

	Note	30 June 2022 \$'000	30 June 2021 \$'000
Investment income			
Interest revenue	3	12,282	32,903
Dividend and distribution income	4	180,711	171,673
Net (loss)/gain on financial instruments held at fair value through profit or loss	5	(492,697)	665,914
Total investment (loss)/income		(299,704)	870,490
Expenses			
Investment management fees		(17,175)	(14,804)
Investment administration fees		(1,457)	(1,976)
Adviser fee		(50,999)	(39,506)
Other expenses		(452)	(320)
Total expenses		(70,083)	(56,606)
(Loss)/profit before finance costs attributable to investors		(369,787)	813,884
Finance costs attributable to investors			
Decrease/(increase) in net assets attributable to investors		369,787	(813,884)
Total comprehensive income attributable to investors		-	-

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Statement of Financial Position As at 30 June 2022

	Note	30 June 2022 \$'000	30 June 2021 \$'000
Assets			
Cash and cash equivalents	7	956,574	721,172
Receivables	8	120,220	110,149
Financial assets at fair value through profit or loss	9	5,940,220	5,473,139
Total assets		7,017,014	6,304,460
Liabilities			
Payables	10	6,840	6,967
Total liabilities (excluding net assets attributable to investors)		6,840	6,967
Net assets attributable to investors	11	7,010,174	6,297,493

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Statement of Changes in Net Assets Attributable to Investors For the Year Ended 30 June 2022

	30 June 2022 \$'000	30 June 2021 \$'000
Total net assets attributable to investors at the beginning of the financial year	6,297,493	4,875,024
(Loss)/profit for the year	(369,787)	813,884
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year	(369,787)	813,884
Transaction with owners in their capacity as owners	1,082,468	608,585
Total net assets attributable to investors at the end of the financial year	7,010,174	6,297,493

The above Statement of Changes in Net Assets Attributable to Investors should be read in conjunction with the accompanying notes.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Statement of Cash Flows For the Year Ended 30 June 2022

	Note	30 June 2022 \$'000	30 June 2021 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		3,383,917	3,439,214
Payment for purchase of financial instruments held at fair value through profit or loss		(4,361,153)	(4,434,145)
Interest received		12,286	32,900
Dividend and distribution income received		187,323	111,387
Payment of investment fee		(18,836)	(16,394)
Payment of adviser fee		(50,158)	(38,362)
Payment of operating expenses		(444)	(375)
Net cash outflow from operating activities	12	(847,065)	(905,775)
Cash flows from financing activities			
Proceeds from contributions by investors		2,421,187	1,582,849
Payment for redemption by investors		(1,825,834)	(1,280,826)
Net application relating to non-MIS assets		487,114	306,562
Net cash inflow from financing activities		1,082,467	608,585
Net increase/(decrease) in cash and cash equivalents		235,402	(297,190)
Cash and cash equivalents at beginning of the year		721,172	1,018,362
Cash and cash equivalents at end of the year	7	956,574	721,172

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements

1. General Information

This financial report covers Powerwrap Scheme ("the Scheme") as an individual entity. The Scheme was constituted on 11 May 2009 and will terminate on the 80th anniversary or earlier in accordance with the provisions of the Scheme's Constitution.

The financial statements were authorised for issue by the Directors of the Responsible Entity as at the date of the Directors' Report. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements are general purpose and have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Scheme comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements are prepared based on 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 some investments in financial assets and Investors balances.

The Scheme manages financial assets 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 reporting date.

In the case of investor accounts, the balances are redeemed on demand at the investors' option. However, investors typically retain the investment for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

(i) Rounding of amounts

The Scheme 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.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(ii) *New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022 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 Scheme.

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

(i) *Classification*

Assets

The Scheme classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Scheme's portfolio of financial assets is managed, and its performance is evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme 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 Scheme's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Scheme's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

The Scheme holds Australian and foreign equity securities of \$1,267,378,490 (2021: \$1,451,091,598), domestic and foreign fixed interest securities of \$568,468,370 (2021: \$468,455,028) and unlisted unit trusts of \$4,104,372,727 (2021: \$3,553,592,310) which are classified as fair value through profit or loss.

(ii) *Recognition/derecognition*

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

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Scheme has transferred substantially all of the risks and rewards of ownership.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

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

(iii) Measurement

At initial recognition, the Scheme measures financial assets at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and 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. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair values of financial instruments are determined please see Note 12 to the financial statements.

(iv) Contributions and Withdrawals

Contributions are accounted for when an investor deposits funds into their Cash Operating Account, when an investor uses their personal cash account to purchase Scheme assets or when cash transactions relating to their personal assets held outside of the Scheme are deposited into the Cash Operation Account (e.g. income and proceeds of the sale of such assets). Withdrawals are accounted for when investors withdraw cash from their Cash Operation Account to pay for assets held outside of the Scheme and fees related to non-Scheme assets.

(c) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is 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.

(d) Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call deposits with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

(e) Income tax

Under current legislation the Scheme is not subject to income tax provided it attributes the entirety of its taxable income to its Investors.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the Scheme'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 Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in Statement of comprehensive income.

Non-monetary items that are measured at fair value in the foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of comprehensive income on a net basis with net gains/(losses) on financial instruments at fair value through profit or loss.

(g) 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 and includes interest from debt securities.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within dividend income and distribution income when the Scheme'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.

(h) Expenses

All expenses, including responsible entity's fees, are recognised in the Statement of comprehensive income on an accrual's basis.

The Responsible Entity is entitled under the Constitution, to be reimbursed for certain expenses incurred in administering the Scheme. The basis on which the expenses are reimbursed is defined in the Constitution. The amount reimbursed is recognised in the Profit or Loss and is calculated in accordance with the Constitution.

In accordance with the Constitution and PDS, the Responsible Entity receives a management fee as the single Responsible Entity.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(h) Expenses (continued)

The Custodian of the Scheme also receives a fee for its services. The custody fees for the unlisted managed funds are paid by the Responsible Entity from its management fee. Custody of all other assets where applicable are deducted from investor accounts.

Performance Fees – Managed Funds

This is a fee that is generally paid to the Fund Manager for outperformance above a nominated benchmark. The underlying Disclosure Document for the relevant Investment Option will provide detailed disclosure on when and how any performance fee is calculated and paid.

(i) Due from/to brokers

Amounts due from/to brokers 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 due from brokers 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 Scheme shall measure the loss allowance on amounts due from broker 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 Scheme shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker 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.

(j) Investor's accounts

Investors in the Scheme have the right to make a request to redeem funds from their Investor Accounts. Payment of redemptions may be made in cash or via transfer of investments in-specie and are dependent on the liquidity of investor's specific investments. This right to redeem gives rise to Investors being classified as a financial liability.

(k) Good and service tax (GST)

The GST incurred on the costs of various services provided to by third parties such as responsible entity fees and other expenses have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC), hence responsible entity fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO) that is retained by the Scheme. Accounts 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.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(l) Payables

Payables includes liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

(m) Receivables

Receivables may include amounts for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of the last payment in accordance with the policy set out in Note 2(h) above.

Amounts are generally received with 30 days of being recorded as receivables.

(n) Critical accounting estimates and judgements

The Scheme may make estimates and assumptions that affect the reported amounts of assets and liabilities with 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.

Planner advisor fees

Powerwrap Limited provides investment administration services. Account holders of the Powerwrap Scheme can receive investment administration services for assets held by the Powerwrap Scheme (Scheme Assets) and through a direct holding (Non-Scheme Assets).

Given the design of the investment administration service, accounting judgements are required in preparing the Scheme's financial statements.

An account holder must maintain a Cash Operating Account (COA) within the Powerwrap Scheme. A COA can be accessed by the account holder to enter into transactions for Non-Scheme Assets. In connection with transactions for Non-Scheme Assets:

- proceeds from the redemption of any investments of Non-Scheme Assets or income received from investments of Non-Scheme Assets which an account holder did not decide to reinvest, is treated as Scheme contributions; and
- Fees paid out of scheme assets may pertain to both scheme and non-scheme assets as permitted under the Product Disclosure Statement.

Financial Asset Valuations

For the majority of the Scheme's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the responsible entity, independent of the area that created them. For more information on how fair value is calculated, please see note 14 to the financial statements.

Please refer to Note 13 for the Scheme's policies on credit risk.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

3. Interest income

	30 June 2022	30 June 2021
	\$'000	\$'000
Cash and cash deposits	21	27
Fixed interest securities	12,261	32,876
Total interest income	12,282	32,903

4. Dividends and distribution income

	30 June 2022	30 June 2021
	\$'000	\$'000
Dividend income	16,295	20,230
Distribution income	164,416	151,443
Total dividend and distribution income	180,711	171,673

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

	30 June 2022	30 June 2021
	\$'000	\$'000
Australian equities	(85,345)	126,783
Unlisted managed investment schemes	(236,610)	379,799
Fixed interest securities	(1,931)	(36,027)
Foreign equities	(168,811)	195,359
Net (losses)/gains on financial instruments held at fair value through profit or loss	(492,697)	665,914

6. Auditor's remuneration

During the year, auditor's remuneration was paid directly by the Responsible Entity.

7. Cash and cash equivalent

	30 June 2022	30 June 2021
	\$'000	\$'000
Cash at bank - AUD	829,885	617,482
Cash at bank – foreign currency holdings	126,689	103,690
Total cash and cash equivalent	956,574	721,172

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

8. Receivables

	30 June 2022	30 June 2021
	\$'000	\$'000
Amount due from broker(s)	16,686	-
Other receivables	103,534	110,149
Total receivables	120,220	110,149

9. Financial assets at fair value through profit or loss

	30 June 2022	30 June 2021
	\$'000	\$'000
Australian equities	427,789	491,156
Domestic fixed interest securities	454,685	372,772
Foreign fixed interest securities	113,784	95,683
Unlisted managed investment schemes	4,104,373	3,553,592
Foreign equities	839,589	959,936
Total financial assets at fair value through profit or loss	5,940,220	5,473,139

An overview of the risk exposures and fair value measurements relating to financial assets and liabilities at fair value through profit or loss is included in note 13.

10. Payables

	30 June 2022	30 June 2021
	\$'000	\$'000
Amount due to broker(s)	-	772
Other payables	6,840	6,195
Total payables	6,840	6,967

11. Statement of net assets attributable to investors

Movements in net assets attributable to investors during the financial year were as follows:

	30 June 2022	30 June 2021
	\$'000	\$'000
Opening balance	6,297,493	4,875,024
(Loss)/profit for the year before finance costs attributable to investors	(369,787)	813,884
Contributions in cash	2,421,187	1,582,849
Withdrawals in cash	(1,825,833)	(1,280,826)
Net contributions relating to non-MIS assets	487,114	306,562
Balance at the end of the year	7,010,174	6,297,493

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

11. Statement of net assets attributable to investors (continued)

Capital risk management

The amount of net assets attributable to investors can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of investors.

Daily applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme'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 investors.

12. Reconciliation of profit to net cash from operating activities

	30 June 2022	30 June 2021
	\$'000	\$'000
(Loss)/profit	(369,787)	813,884
<i>Adjusted for non-cash items</i>		
Net loss/(gain) on financial instruments held at fair value through profit or loss	492,697	(665,914)
Net investment buy	(977,236)	(994,931)
Decrease/(increase) in income receivable	6,616	(60,290)
Increase in fees payable	645	1,476
	(847,065)	(905,775)

13. Financial risk management

(a) Objectives, strategies, policies and processes

Financial instruments of the Scheme comprise of Australian and International equities, listed trusts, fixed interest securities and unlisted managed investment schemes. It holds these investment assets at the discretion of the individual investors and they are managed by the Scheme in accordance with the direction of investors in line with the Product Disclosure Statement.

The allocation of assets between the various types of financial instruments described above is determined by the Scheme's investors and, for the model portfolios, the Responsible Entity by reference to external managers' asset allocations. The Scheme's portfolio of assets is managed to achieve the investment objectives and strategies set out by the investors. Divergence from target asset allocations and the composition of the portfolio is monitored by the Responsible Entity on a regular basis.

The financial instruments held by the Scheme are exposed to the following risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

13. Financial risk management (continued)

(b) Concentration risk

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual.

Obligations to be similarly affected by changes in economic, political or other conditions.

The individual investors and the Responsible Entity are responsible for identifying and controlling the risks that arise from these financial instruments.

As the Scheme is an IDPS-like scheme, it is the responsibility of each individual investor to manage their own concentrations of risk. The Scheme does not have any externally imposed capital requirements.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: price risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

(i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment in listed securities and unlisted managed investment schemes. The investments are classified on the Statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

Price risk is mitigated by the Scheme's individual investors and the Responsible Entity through model portfolios, by constructing diversified portfolios of instruments traded on various markets.

The analysis below demonstrates the impact of a 10% movement in equity securities and managed investment funds. This sensitivity analysis has been performed to assess the total investors' direct risk of holding equity securities and managed investment funds with all other variables held constant. It is assumed that the relevant change occurs at the balance date.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

13. Financial risk management (continued)

(c) Market risk (continued)

(i) Price risk (continued)

	30 June 2022 \$'000	30 June 2021 \$'000
Assets		
Australian equities	427,789	491,156
Unlisted managed investment schemes	4,104,373	3,553,592
Foreign equities	839,589	959,936
Net exposure	5,371,751	5,004,684
Sensitivity		
Securities prices + 10%	537,175	500,468
Securities prices - 10%	(537,175)	(500,468)

(ii) Cash flow and fair value interest rate risk

The Scheme is exposed to cash flow interest rate risk on financial instruments with variable interest rates.

Financial instruments with fixed interest rates expose the Scheme to fair value interest rate risk.

The table below summarises the Scheme's direct exposure to interest rate risk.

As at 30 June 2022	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	956,574	-	-	956,574
Due from brokers for security sales	-	-	16,686	16,686
Other receivables	-	-	103,534	103,534
Fixed interest securities	-	568,469	-	568,469
Total financial assets	956,574	568,469	120,220	1,645,263
Financial liabilities				
Due to brokers – payable for securities purchased	-	-	-	-
Total Financial liabilities	-	-	-	-
Net exposure interest rate risk	956,574	568,469	120,220	1,645,263

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

13. Financial risk management (continued)

(c) Market risk (continued)

As at 30 June 2021	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	721,172	-	-	721,172
Other receivables	-	-	110,149	110,149
Fixed interest securities	-	468,455	-	468,455
Total financial assets	721,172	468,455	110,149	1,299,776
Financial liabilities				
Due to brokers – payable for securities purchased	-	-	(772)	(772)
Total Financial liabilities	-	-	(772)	(772)
Net exposure interest rate risk	721,172	468,455	109,377	1,299,004

(iii) Foreign exchange risk

The Scheme's individual investors may hold assets denominated in currencies other than the Australian dollar, the functional currency. They are therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

Foreign exchange risk is the risk that the value of monetary securities denominated in currencies other than the Australian dollar will fluctuate due to changes in exchange rates.

The Scheme's individual investors may hold assets denominated in currencies other than the Australian dollar, the functional currency. They are therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

The table below summarises the Scheme's assets and liabilities which are denominated in foreign currencies:

Currency	30 June 2022		30 June 2021	
	Cash and cash equivalents A\$'000	Financial assets held through profit or loss A\$'000	Cash and cash equivalents A\$'000	Financial assets held through profit or loss A\$'000
US dollars	108,178	887,815	88,101	982,150
Hong Kong dollars	1,823	3,342	75	3,640
British pounds	7,864	30,144	9,381	40,143
Euro	4,071	6,139	1,961	4,298
Japanese yen	2,587	1,365	3,834	2,813
Canadian dollars	173	16,741	29	14,311
Other currencies	1,993	7,827	309	8,264
Total financial assets	126,689	953,373	103,690	1,055,619

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

13. Financial risk management (continued)

Sensitivity	30 June 2022		30 June 2021	
	Cash and cash equivalents	Financial assets held through profit or loss	Cash and cash equivalents	Financial assets held through profit or loss
	A\$'000	A\$'000	A\$'000	A\$'000
FX rates +10%	12,669	95,337	10,369	105,562
FX rates - 10%	(12,669)	(95,337)	(10,369)	(105,562)

(d) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Scheme to make a financial loss. The Scheme has exposure to credit risk on all of its financial assets included in the Scheme's Statement of financial position.

In relation to equity securities and managed investment funds, the risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges and ensuring that transactions are undertaken with a large number of counterparties to avoid a concentration of credit risk.

The Scheme holds no collateral as security or any other credit enhancements. The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. There are no financial assets that are past due or impaired or would otherwise be past due or impaired except for the terms having been renegotiated.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

Maturities analysis of financial liabilities

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the end of the year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Financial liabilities such as trade payables, where there are no specific contractual settlement dates, have been grouped into the 'less than 1 month' maturity grouping as such liabilities are typically settled within 30 days.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

13. Financial risk management (continued)

(e) Liquidity risk (continued)

Maturities analysis of financial liabilities (continued)

As at 30 June 2022	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Payables	6,840	-	-	-	-
Net assets attributable to investors	7,010,174	-	-	-	-
Total financial liabilities	7,017,014	-	-	-	-

As at 30 June 2021	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Payables	6,967	-	-	-	-
Net assets attributable to investors	6,297,493	-	-	-	-
Total financial liabilities	6,304,460	-	-	-	-

(f) Capital management

As the Scheme is an IDPS-like Scheme it is the responsibility of each individual investor to manage their own capital requirements. The Scheme does not have any externally imposed capital requirements.

14. Fair value measurement

The Scheme measures and recognises the following financial assets at fair value through profit or loss on a recurring basis.

(a) Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

14. Fair value measurement (continued)

(a) Fair value hierarchy (continued)

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Scheme's financial assets and liabilities measured and recognised at fair value as at 30 June 2022 and 30 June 2021.

As at 30 June 2022	Level 1	Level 2	Level 3	Total
Financial Assets	\$'000	\$'000	\$'000	\$'000
<i>Financial assets at fair value through profit or loss</i>				
Australian equities	427,789	-	-	427,789
Unlisted managed investment schemes	-	4,057,622	46,751	4,104,373
Fixed interest securities	-	568,469	-	568,469
Foreign equities	839,589	-	-	839,589
Total financial assets	1,267,378	4,626,091	46,751	5,940,220
As at 30 June 2021	Level 1	Level 2	Level 3	Total
Financial Assets	\$'000	\$'000	\$'000	\$'000
<i>Financial assets at fair value through profit or loss</i>				
Australian equities	491,156	-	-	491,156
Unlisted managed investment schemes	-	3,519,214	34,378	3,553,592
Fixed interest securities	-	468,455	-	468,455
Foreign equities	959,936	-	-	959,936
Total financial assets	1,451,092	3,987,669	34,378	5,473,139

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There were no transfers between levels in the fair value hierarchy for the financial years ended 30 June 2022 and 30 June 2021.

(b) Valuation techniques of financial instruments

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equity securities and exchange traded derivatives. Financial assets are priced at bid prices, while financial liabilities are priced at asking prices.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs are classified within level 2. These include managed investment schemes.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

14. Fair value measurement (continued)

(b) Valuation techniques of financial instruments (continued)

Investments in managed investment schemes are recorded at the redemption value per unit as reported by the investment managers of such funds. The Scheme may make adjustments to the value based on considerations such as; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

The stated fair value of each financial instruments at the end of the year represents the Responsible Entity's best estimate at the end of the year.

(c) Fair value of other financial instruments

Due to their short-term nature, the carrying amounts of the receivables and payables are assumed to approximate their fair values.

15. Related party transactions

(a) Responsible Entity

The Responsible Entity of the Scheme is Powerwrap Limited (ABN 67 129 756 850). The Responsible Entity's registered office is Level 19, 367 Collins Street, Melbourne VIC 3000.

(i) Key management personnel

The Scheme has no employees. However, it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel.

Key management personnel of the Responsible Entity include persons who held office as Directors of the Responsible Entity at any time during the year and up to the date of this report:

Director

Anthony Wamsteker
Anna Itsiopoulos
James Edmonds

The Scheme does not pay the directors of the Responsible Entity.

(ii) Other key management personnel

The following person, employed by the parent company of the Responsible Entity, Praemium Limited, also had authority and responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the year:

Name	Position	Employer	Date Appointed	Date Resigned
David Coulter	Chief Financial Officer	Praemium Limited	28 March 2022	N/A
Paul Gutteridge	Chief Financial Officer	Praemium Limited	N/A	23 March 2022

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Notes to the Financial Statements (continued)

15. Related party transactions (continued)

(a) Responsible Entity (continued)

(iii) Other transactions within the Scheme

No key management personnel of the Responsible Entity have entered into a material contract with the Scheme, since the end of the previous financial period and there were no material contracts involving director's interests subsisting at year end.

(iv) Key management personnel loan disclosure

The Scheme 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.

(b) Related party remuneration

Fees charged to investors by the Responsible Entity are set out in the Scheme Product Disclosure Statement. Fees are deducted from Investor accounts and paid to the Responsible Entity each month. Total fees paid to the Responsible Entity by investors during the year were \$7,864,725 (2021: \$8,473,962, restated to include fees which have been reclassified for consistency with the current year presentation).

(c) Other related party transactions

(i) Related party investments held by the Scheme

The Scheme does not lend or hold equity in the Responsible Entity and its related parties.

(ii) Related party arrangements

The Responsible Entity, its Directors, and its related parties, are not investors in the Scheme.

(iii) Interest held in the Scheme by related parties

Parties related to the Scheme and its related parties, hold no investment in the Scheme.

16. Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2022 (30 June 2021: nil).

17. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future years.

Powerwrap Scheme

Annual Financial Report for the Year Ended 30 June 2022

Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

1. The financial statements and notes of the Scheme as set out on pages 7-27 are in accordance with the *Corporations Act 2001*, including:
 - (a) Complying with the Australian Accounting Standards AASB, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and
 - (b) Giving a true and fair view of the Scheme's financial position as at 30 June 2021 and performance as represented by the results of its operations, changes in net assets attributable to investors and cash flows for the year ended on that date
2. There are reasonable grounds to believe that the Scheme will be able to pay its debt as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity, made pursuant to s.303(4) of the *Corporations Act 2001*.



Anthony Wamsteker
Director
28 September 2022
Melbourne



Anna Itsiopoulos
Director
28 September 2022
Melbourne