

ASSURED MORTGAGE FUND
ARSN 089 809 067

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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ASSURED MORTGAGE FUND
ARSN 089 809 067
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The Directors of Assured Management Limited (the 'Responsible Entity'), the Responsible Entity of Assured Mortgage Fund (the 'Fund'), submit their report together with the financial report of the Fund for the year ended 30 June 2017.

Directors

The names of each person who has been a Director of the Responsible Entity during the year and to the date of this report are:

- Stephen John Davoren - Managing Director
- Michael Joseph Coman - Director
- Nicholas James Davoren - Director

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Results and Distributions

Revenue of \$8,513,141 (2016: \$7,132,516) less expenses of \$3,066,318 (2016: \$2,558,918) resulted in a distribution to Unitholders of \$5,446,823 (2016: \$4,573,598).

Review of Operations

During the financial year, the value of loans on issue decreased slightly from an opening balance of \$59,038,402 (gross of impairment provision) comprising 28 loans, to a value of \$57,163,422 (gross of impairment provision) comprising of 36 loans. This involved the Loans Approval Committee, following appropriate due diligence, approving 23 new loans (2016: 16) totalling \$25,439,678 (2016: \$15,739,150) and 111 loan increases (2016: 71) totalling \$30,416,656 (2016: \$26,764,365). Loans paid out and reductions made, totalled \$57,731,314 (2016: \$39,999,241) comprising 41 transactions (2016: 31). The number of interests in the Fund as at 30 June 2017 was 186 (2016: 165).

Loans in Default

As at 30 June 2017, the Fund had two (2) loans in default. The Directors summarise the current position of these loans:

Loans 172 & 173

These two loans are currently in default as the borrower failed to pay the interest in January 2015. The loans comprise of two blocks of land side-by-side in the Caboolture area. The Development Approvals expired on the land and subsequently a new Development Application has been approved.

The Directors placed the property with Marketers in order to have the property sold at Auction. The Auction proceeded on the 11th August 2017 and the property was passed in as it did not reach the reserve value. The Directors are currently negotiating with a potential purchaser in order to have the property sold.

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Loans in 'Technical Default'

As at 30 June 2017, the Fund had four (4) loans in technical default. The Directors summarise the current position of these loans:

Loan 219

This loan went into technical default as at 30th June 2017 as it was past its maturity date of the 30th June 2017. The borrower has advised that the loan will be rolled-over. The roll-over should be completed by mid-September 2017. Interest has continued to be paid at all times.

Loan 245

This loan went into technical default as at 30th June 2017 as it was past its maturity date of the 3rd June 2017. The loan is currently in the process of being rolled over. The Directors are waiting on a costing report for one (1) of the properties to enable the roll over to be completed by mid-September 2017. Interest has continued to be paid at all times.

Loan 240

This loan went into technical default as at 30th June 2017 as it was past its maturity date of 22nd June 2017. The property is currently being re-financed in order to pay out the loan. The pay out should occur by the end of September 2017 but as a precaution a Notice of Exercise Power of Sale has been issued. Interest has continued to be paid at all times.

Loan 195

This loan went into technical default as at 30th June 2017 as it was past its due date of 7th June 2017. This loan was subsequently paid out in full on the 7th July 2017 and all interest was paid up to the date of repayment of the loan.

Principal Activities

The principal activity of the Fund is the provision of a variety of investment opportunities including vacant land, residential property, construction and development, commercial property and industrial property. Unitholders are provided with a fixed rate, fixed term, interest only investment, secured by a first mortgage, supported by guarantees and collateral securities where necessary.

No significant change in the nature of these activities occurred during the year.

Significant Changes in the State of Affairs

No significant changes in the Fund's state of affairs occurred during the financial year.

After Balance Date Events

Other than those matters disclosed in Note 14, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in subsequent financial years.

ASSURED MORTGAGE FUND
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Future Developments

The Fund expects to maintain the present status and level of operations and hence there are no likely developments in the operations in future financial years.

Environmental Issues

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no breaches of any other environmental requirements applicable to the scheme.

Distributions

The following Distributions were paid / are payable by the Fund to the Unitholders, out of the assets of the Fund during / at the end of the financial year:

	2017	2016
	\$	\$
Distributions Paid	5,247,530	4,163,018
Distributions Payable	199,293	410,580
Total Distributions	<u>5,446,823</u>	<u>4,573,598</u>

All income of the Fund was distributed to Unitholders as per the Constitution of the Fund.

Indemnification and Insurance of Directors and Auditors

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the Fund.

Proceedings on Behalf of Fund

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party.

The Fund was not a party to any such proceedings during the year.

Fees Paid to the Responsible Entity

Details of fees paid to the Responsible Entity out of Fund assets during the financial year are located at Note 15(c) of the Financial Statements.

Fees Paid to Related Parties of the Responsible Entity

Details of fees paid to Related Parties of the Responsible Entity out of Fund assets during the financial year are located at Note 15(d) of the Financial Statements.

ASSURED MORTGAGE FUND
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Interests in the Fund Held by the Responsible Entity

Details of the number of interests held in the Fund by the Responsible Entity at the end of the financial year are located at Note 15(e) of the Financial Statements.

Interests in the Fund Held by Related Parties of the Responsible Entity

Details of the number of interests held in the Fund by Related Parties of the Responsible Entity at the end of the financial year are located at Note 15(e) of the Financial Statements.

Valuation of Fund Assets

Details of the basis for valuation of Fund assets are located at Note 1 to the Financial Statements, while details of the valuation of Fund assets are located at Notes 5 - 9 of the Financial Statements.

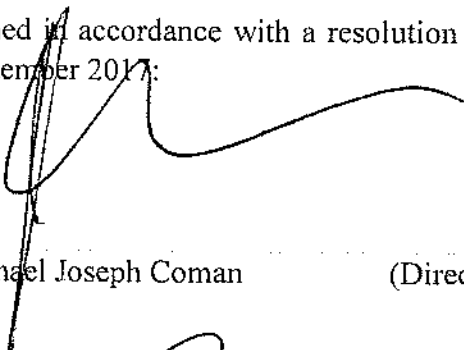
Interests in the Fund

Details of the number of interests in the Fund at the end of the financial year are located at Note 12 of the Financial Statements.

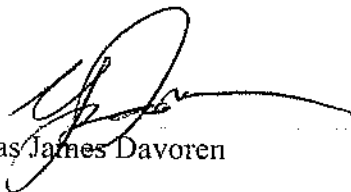
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* (Cth) is set out on page 5 of the Financial Statements.

Signed in accordance with a resolution of the Board of Directors at Mermaid Beach this 4th day of September 2017:



Michael Joseph Coman (Director)



Nicholas James Davoren (Director)



Thomas Noble & Russell
Accountants | Auditors | Business Advisers


AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Assured Mortgage Fund for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Dated at Lismore this 4th day of September 2017.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS


K FRANEY (Partner)
Registered Company Auditor

ASSURED MORTGAGE FUND
ARSN 089 809 067
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue	(2)	8,513,141	7,132,516
Expenses	(3)	<u>(3,066,318)</u>	<u>(2,558,918)</u>
Profit for the Year		<u>5,446,823</u>	<u>4,573,598</u>
Income Tax Expense	(1(b))	<u>-</u>	<u>-</u>
Profit for the Year		<u>5,446,823</u>	<u>4,573,598</u>
Distributions to Unitholders		<u>(5,446,823)</u>	<u>(4,573,598)</u>
Net Profit for the Year		<u>-</u>	<u>-</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
Change in Net Assets Attributable to Unitholders		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements

ASSURED MORTGAGE FUND
ARSN 089 809 067
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Assets			
Cash and Cash Equivalents	(5a)	12,447,836	3,609,393
Interest and Other Receivables	(6)	319,977	238,183
Loans Receivable	(7)	47,888,136	50,180,609
Other Assets	(9)	<u>1,167,338</u>	<u>827,191</u>
Total Assets		<u>61,823,287</u>	<u>54,855,376</u>
Liabilities			
Trade and Other Payables	(10)	445,777	239,667
Other Liabilities	(11)	<u>1,167,338</u>	<u>827,191</u>
Total Liabilities (Excluding Net Assets Attributable to Unitholders)		<u>1,613,115</u>	<u>1,066,858</u>
Net Assets Attributable to Unitholders	(12)	<u><u>60,210,172</u></u>	<u><u>53,788,518</u></u>

The accompanying notes form part of these financial statements

ASSURED MORTGAGE FUND
ARSN 089 809 067
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Units on Issue \$	Net Assets Attributable to Unitholders (Calculated in accordance with redemption requirements) \$	Net Assets Attributable to Unitholders (Calculated in accordance with AASB) \$
Balance as at 1 July 2015		51,507,662	51,507,662	51,507,662
Issue of Redeemable Units		10,379,388	10,379,388	10,379,388
Redemption of Redeemable Units		(8,098,532)	(8,098,532)	(8,098,532)
Balance as at 30 June 2016	(12)	<u>53,788,518</u>	<u>53,788,518</u>	<u>53,788,518</u>
Issue of Redeemable Units		17,985,066	17,985,066	17,985,066
Redemption of Redeemable Units		(11,495,863)	(11,495,863)	(11,495,863)
Loans Receivable Impairment		(67,549)	(67,549)	(67,549)
Balance as at 30 June 2017	(12)	<u>60,210,172</u>	<u>60,210,172</u>	<u>60,210,172</u>

The accompanying notes form part of these financial statements

ASSURED MORTGAGE FUND
ARSN 089 809 067
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
		Inflows / (Outflows)	Inflows / (Outflows)
i) Cash Flows from Operating Activities			
Interest Received		6,976,048	5,728,580
Other Revenue Received		1,737,011	1,677,257
GST Received		206,606	168,631
Payments for Operating Expenses		<u>(3,554,974)</u>	<u>(3,089,618)</u>
Net Cash Provided by Operating Activities	(5(b))	<u>5,364,691</u>	<u>4,484,850</u>
ii) Cash Flows from Investing Activities			
Loans Advanced to Borrowers		(55,856,335)	(42,503,518)
Loans Repaid by Borrowers		58,081,258	35,606,697
Monies Held in Trust for Borrowers		<u>122,409</u>	<u>-</u>
Net Cash Provided by / (Used in) Investing Activities		<u>2,347,332</u>	<u>(6,896,821)</u>
iii) Cash Flows from Financing Activities			
Unitholders Funds Received from Investors		17,985,066	10,379,389
Unitholders Funds Repaid to Investors		(11,495,862)	(8,098,532)
Distributions Paid to Investors		(5,375,637)	(4,641,423)
Assured Interest Program Advances from Responsible Entity		355,740	278,131
Assured Interest Program Advances Repaid to Responsible Entity		<u>(342,887)</u>	<u>(121,219)</u>
Net Cash Provided by / (Used in) Financing Activities		<u>1,126,420</u>	<u>(2,203,654)</u>
Net Increase in Cash Held		8,838,443	(4,615,625)
Cash and Cash Equivalents at the Beginning of the Financial Year		<u>3,609,393</u>	<u>8,225,018</u>
Cash and Cash Equivalents at the End of the Financial Year	(5(a))	<u><u>12,447,836</u></u>	<u><u>3,609,393</u></u>

The accompanying notes form part of these financial statements

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial report for Assured Mortgage Fund (the 'Fund') was approved by the Board of Directors of the Responsible Entity on 4 September 2017 and is for the year ended 30 June 2017.

The Fund is an Australian Registered Scheme and was constituted on 1 November 1999. Assured Management Limited (the 'Responsible Entity' for the Fund) is incorporated and domiciled in Australia, and acts as the Manager of the Fund.

The registered office of the Responsible Entity is Suite 12A, Mermaid Plaza, 2378 Gold Coast Highway, Mermaid Beach, Queensland, 4218.

Basis of Preparation

The financial statements are 'General Purpose Financial Statements' that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). The Fund is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied. The financial statements are presented in Australian dollars.

As permitted by AASB 101 "Presentation of Financial Statements", the Board of Directors of the Responsible Entity have elected to present the Statement of Financial Position on a liquidity basis, believing such presentation more appropriately reflects the relevance and reliability of such financial information. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

The financial statements have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the Fund in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Comparative Figures

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Distributions and Taxation

Under current legislation, the Fund is not subject to income tax provided its taxable income is distributed in full to the Unitholders of the Fund.

(c) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Interest revenue is recognised on a proportional basis, taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. Where this relates to loan application fees, these are deferred and recognised as revenue over the life of the loan.

(d) Expenses

All expenses, including Management Fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

(e) Finance Costs

Distributions paid and payable by the Fund on units held by the Unitholders are recognised in the Statement of Comprehensive Income as a Finance Cost and in the Statement of Financial Position as a liability where not paid.

Distributions paid are included in the cash flows from financing activities in the Statement of Cash Flows.

(f) Goods and Services Tax

Management Fees and other expenses are recognised net of the amount of Goods and Services Tax (GST) recoverable from the Australian Tax Office (ATO) as a Reduced Input Tax Credit (RITC) at a rate of 75% of GST.

Payables are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position.

Cash Flows are included in the Statement of Cash Flows on a net basis.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, deposits at call and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents consist of cash and cash equivalents as defined above.

(h) Trade and Other Receivables

Receivables are recognised and carried at original amount, less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off when identified.

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

(i) Trade and Other Payables

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services provided to the Fund prior to balance date, whether or not billed to the Fund. Trade and Other Payables include distributions payable.

(j) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Fund becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Fund no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (Cont'd)

Classification and Subsequent Measurement

i. Loans and Receivables

Loans and advances are recognised at the recoverable amount, after assessing required provisions for impairment. Directors assess the recoverability of loans based on loan serviceability and underlying security values on loan approval. Secured assets are assessed at the time of loan approval or upon renewal/rollover of the applicable loan or at year end.

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the profit and loss account. The provision for impairment is calculated as a specific provision against a loan, where full repayment is uncertain.

ii. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of Financial Assets

The Fund conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. If any indication of impairment exists at balance date, an estimate of the asset's recoverable amount is calculated. Where the assets carrying value exceeds the recoverable amount, a write-down is made to the Statement of Comprehensive Income.

(k) Redeemable Units

All redeemable units issued by the Fund provide investors with the right to require redemption for cash. The Fund's obligation to redeem units is set out in the Product Disclosure Statement.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Capital Management

The Responsible Entity manages its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change on a daily basis in accordance with the provisions of the Product Disclosure Statement.

The Fund is not subject to any externally imposed capital requirements.

(m) Critical Accounting Estimates and Judgements

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates might result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

Significant judgements

i. Provision for impairment of receivables

The Fund assesses impairment at each reporting date by evaluating conditions and events specific to the entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, being independent valuations for secured assets by registered valuers which incorporate various key assumptions.

(n) New and Amended Accounting Standards Adopted by the Fund

The Fund has not adopted any new or amended Australian Accounting Standards or AASB Interpretations that took effect during the financial year, as each new standard and/or amendment was deemed to have not been applicable to the Fund or the nature and the impact of each new standard and/or amendment was deemed to have not had a material impact on the Fund.

(o) Standards Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors of the Responsible Entity's assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

i. AASB 15 Revenue from Contracts with Customers, (effective from 1 Jan 2018)

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Standards Issued But Not Yet Effective (Cont'd)

i. AASB 15 Revenue from Contracts with Customers, (effective from 1 Jan 2018) (Cont'd)

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified by the directors of the Responsible Entity.

ii. AASB 9 Financial Instruments (& applicable amendments), (effective from 1 Jan 2018)

AASB 9 introduces, among other changes, revised rules around impairment. Impairment of assets is now based on expected losses in IFRS 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The impact of the changes to impairment has not yet been determined by the directors of the Responsible Entity.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

2017
\$

2016
\$

NOTE 2 - REVENUE

Application Fees	1,311,938	1,267,923
Interest Revenue - Cash and Cash Equivalents	28,907	46,623
Interest Revenue - Loans Receivables	6,855,262	5,515,321
Assured Interest Program Advances Forgone	12,853	165,311
Release Fees	123,390	67,312
Default Interest	180,791	70,026
	<u>8,513,141</u>	<u>7,132,516</u>
Total Revenue	<u>8,513,141</u>	<u>7,132,516</u>

NOTE 3 - EXPENSES

Fees Paid to the Responsible Entity:		
Application Fees	1,199,297	1,168,485
Assured Interest Program Facility Fees	217,956	183,485
Management Fee	1,324,341	1,074,200
Release Fees	114,977	62,722
Default Interest	209,747	70,026
	<u>3,066,318</u>	<u>2,558,918</u>
Total Expenses	<u>3,066,318</u>	<u>2,558,918</u>

NOTE 4 - AUDITOR'S REMUNERATION

Audit and Review - Financial Statements	26,845	25,159
Other Services - Audit of Compliance Plan	2,909	2,818
	<u>29,754</u>	<u>27,977</u>
Total Auditor's Remuneration	<u>29,754</u>	<u>27,977</u>

Auditor's remuneration is paid by the Responsible Entity and is not paid by the Fund out of Fund Assets.

NOTE 5 - CASH AND CASH EQUIVALENTS

a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, Cash and Cash Equivalents comprise:

Cash at Bank	12,447,836	3,609,393
Total Cash and Cash Equivalents	<u>12,447,836</u>	<u>3,609,393</u>

Cash at Bank is restricted, as the funds are either Investor funds not yet invested in a mortgage or Borrowers funds held in trust.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 5 - CASH AND CASH EQUIVALENTS (CONT'D)		
b) Reconciliation of Cash Flows from Operating Activities		
Operating Profit Attributable to Unitholders	5,446,823	4,573,598
Non-Cash Flows in Operating Profit:		
- Assured Interest Program Advances Written-Off by Responsible Entity	(12,853)	(156,912)
Changes in Assets and Liabilities:		
(Increase) / Decrease in Interest and Other Receivables	(138,725)	224,869
(Increase) / Decrease in Other Assets	(340,147)	(190,509)
Increase / (Decrease) in Trade and Other Payables	69,443	(156,705)
Increase / (Decrease) in Other Liabilities	340,150	190,509
Net Cash Provided by Operating Activities	<u>5,364,691</u>	<u>4,484,850</u>

NOTE 6 - INTEREST AND OTHER RECEIVABLES

Interest Receivable	252,394	163,481
Net GST Receivable	-	45,582
Application Fee Receivable	67,583	29,120
Total Interest and Other Receivables	<u>319,977</u>	<u>238,183</u>

NOTE 7 - LOANS RECEIVABLE

(a) Amount Due Comprises:

Loans Receivable	57,163,422	59,038,402
Less: Borrowers Funds Held in Trust	(8,941,786)	(2,392,293)
Less: Provision for Impairment (Note 8)	(333,500)	(6,465,500)
Net Loans Receivable	<u>47,888,136</u>	<u>50,180,609</u>

(b) Financial Commitments

The Fund has the following undrawn Loans Receivable commitments:

Approved Loans Receivable	96,416,328	81,792,132
Less: Loans Receivable Drawn Down	(57,163,422)	(59,038,402)
Undrawn Loan Commitment	<u>39,252,906</u>	<u>22,753,730</u>

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NOTE 7 - LOANS RECEIVABLE (CONT'D)

(c) Credit Quality - Security Held Against Term Loans

All loans receivable noted at Note 7(a) are secured by registered first mortgages and are disclosed by type as follows:

	2017		2016	
	#	\$	#	\$
Construction - Residential	13	19,459,436	6	16,640,103
Property - Residential	2	893,500	5	5,688,732
Property - Residential Other	1	752,500	-	-
Subdivision - Residential	14	29,708,172	9	20,831,100
Vacant Land - Residential	6	6,349,814	8	15,878,467
Totals	<u>36</u>	<u>57,163,422</u>	<u>28</u>	<u>59,038,402</u>

A breakdown of the quality of the above registered first mortgages held as security is as follows:

Loan to Valuation Ratio >70%	2	893,500	1	6,527,000
Loan to Valuation Ratio 61-70%	27	49,691,822	16	29,238,670
Loan to Valuation Ratio 51-60%	5	4,865,100	11	23,272,732
Loan to Valuation Ratio <51%	2	1,713,000	-	-
Totals	<u>36</u>	<u>57,163,422</u>	<u>28</u>	<u>59,038,402</u>

(d) Concentrations of Credit Risk

Concentrations of credit risk arise in the following categories:

Concentration of Geographic Location

Sunshine Coast, QLD*	4	2,866,537	6	10,257,915
Brisbane, QLD	14	23,184,103	9	20,235,179
Ipswich, QLD	10	19,902,323	7	13,247,367
Other, QLD	4	6,477,400	5	12,776,600
Gold Coast, QLD	3	4,048,726	1	2,521,341
Northern, NSW	1	684,333	-	-
Totals	<u>36</u>	<u>57,163,422</u>	<u>28</u>	<u>59,038,402</u>

* includes Caboolture area

Concentration of Borrowers

Loans Receivable to individual Borrowers exceeding 10% of Unitholders Funds

	<u>2</u>	<u>7,383,665</u>	<u>2</u>	<u>13,811,001</u>
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 - PROVISION FOR IMPAIRMENT (CONT'D)

(d) Analysis of Loans Receivable that are Past Due but Not Impaired

As at 30 June 2017, the Fund had four (4) loans receivable that had been classified as past due but not impaired.

	Security Value 2017 \$	Carrying Value 2017 \$
1 to 27 days in arrears	<u>12,205,000</u>	<u>6,664,200</u>
Totals	<u><u>12,205,000</u></u>	<u><u>6,664,200</u></u>

The above loans receivable, are secured by a first mortgages against residential vacant land and/or residential property.

As at 30 June 2016, the Fund had three (3) loans receivable that had been classified as past due but not impaired.

	Security Value 2016 \$	Carrying Value 2016 \$
1 to 217 days in arrears	<u>11,370,000</u>	<u>3,359,667</u>
Totals	<u><u>11,370,000</u></u>	<u><u>3,359,667</u></u>

The above loans receivable, are secured by a first mortgages against residential vacant land and/or residential property.

2017 \$	2016 \$
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NOTE 9 - OTHER ASSETS

Application Fees to Responsible Entity Paid in Advanced	<u>1,167,338</u>	<u>827,191</u>
Total Other Assets	<u><u>1,167,338</u></u>	<u><u>827,191</u></u>

NOTE 10 - TRADE AND OTHER PAYABLES

Distributions Payable	203,658	132,472
Net GST Payable	65,477	-
Payables to the Responsible Entity:		
GST Facility Fee Payable	56,932	45,582
Application Fees Payable	67,584	29,120
Management Fee Payable	<u>52,126</u>	<u>32,493</u>
Total Trade and Other Payables	<u><u>445,777</u></u>	<u><u>239,667</u></u>

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	2017	2016
	\$	\$
NOTE 11 - OTHER LIABILITIES		
Application Fees Received in Advance	<u>1,167,338</u>	<u>827,191</u>
Total Other Liabilities	<u><u>1,167,338</u></u>	<u><u>827,191</u></u>

NOTE 12 - UNITHOLDERS FUNDS

(a) Unitholders Funds Comprises

Funds Received and Invested in a Mortgage	56,829,922	52,572,902
Funds Received but not yet Invested in a Mortgage	<u>3,380,250</u>	<u>1,215,616</u>
Total Unitholders Funds	<u><u>60,210,172</u></u>	<u><u>53,788,518</u></u>

Net Assets Attributable to Unitholders

Each unit issued confers upon the unitholder an equal interest in the Fund and is of equal value. Each unitholder is directly linked to particular borrowers and thus particular assets of the Fund. Realised credit losses in the form of actual loss of capital value is charged to unitholders attributable to funding the loans. Unrealised credit losses in the form of provision for impairments are charged or credited to unitholders attributable to funding the loans as the impairment losses are incurred or reversed. Unitholders have various rights under the Fund's constitution and Product Disclosure Statement.

Capital Management

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and applications to the Fund. The Fund is not subject to externally imposed capital requirements and issues and redeems units in accordance with the Constitution and Product Disclosure Statement.

The Fund's objectives for managing capital, being net assets attributable to unitholders is to directly link unitholders to specific borrowers and to manage the recoverability of the loans in consultation with unitholders and borrowers such that capital value of unitholders funds is not compromised.

Refer to Note 16 for the policies and processes applied by the Fund in managing its capital.

NOTE 13 - SEGMENT REPORTING

The Fund is organised into one business segment, being fund management and operates in one geographical segment, being Australia.

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NOTE 14 - EVENTS AFTER THE BALANCE SHEET DATE

Since 30 June 2017, other than those matter disclosed below there have been no other matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Fund.

Loan 195

This loan went into technical default in June 2017, as the borrower was unable to make the full payment of interest on the due date. The borrower subsequently repaid all interest owing and the loan was paid in full on 7th July 2017.

Loans 172 & 173

The Directors placed the property with Marketers in order to have the property sold at Auction. The Auction proceeded on the 11th August 2017 and the property was passed in as it did not reach the reserve value. The Directors are currently negotiating with a potential purchaser in order to have the property sold.

NOTE 15 - RELATED PARTY DISCLOSURES

(a) Responsible Entity

The Responsible Entity of Assured Mortgage Fund is Assured Management Limited.

(b) Details of Key Management Personnel

(i) Key Management Personnel - Directors

The Directors of the Responsible Entity at Note 15(a) are considered to be Key Management Personnel of the Fund. The following Directors of the Responsible Entity were in office during the year and up to the date of the report:

- Stephen John Davoren (Managing Director)
- Michael Joseph Coman (Director)
- Nicholas James Davoren (Director)

The above Directors have been in office for the entire period unless otherwise disclosed.

(ii) Key Management Personnel - Other

In addition to the Directors at Note 15(b)(i) above, the Responsible Entity is considered to be Key Management Personnel with the authority for the strategic direction and management of the Fund.

(iii) Loans to Key Management Personnel

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to Key Management Personnel or any related party entity at any time during the reporting period.

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NOTE 15 - RELATED PARTY DISCLOSURES (CONT'D)

(b) Details of Key Management Personnel (Cont'd)

(iv) Compensation of Key Management Personnel

Fees paid to the Responsible Entity are disclosed at Note 15(c).

The Directors of the Responsible Entity do not receive any remuneration direct from the Fund and they received the following remuneration from the Responsible Entity:

	2017	2016
	\$	\$
Short-Term Benefits - Salary	354,900	341,400
Post Employment Benefits - Superannuation	33,145	31,863
Total Remuneration	<u>388,045</u>	<u>373,263</u>

(c) Fees Paid to the Responsible Entity

Assured Management Limited, as the Responsible Entity of the Fund, provides management services to the Fund. Transactions between the Fund and the Responsible Entity result from normal dealings with that Company as the Fund's Responsible Entity.

The following fees were paid or are payable by the Fund to the Responsible Entity out of the assets of the Fund for the financial year:

	2017	2016
	\$	\$
Application Fees	1,199,297	1,168,485
Assured Interest Program Facility Fees	217,956	183,485
Management Fee	1,324,341	1,074,200
Release Fees	114,977	62,722
Default Interest	209,747	70,026
Total Fees Paid to the Responsible Entity	<u>3,066,318</u>	<u>2,558,918</u>

The Responsible Entity receives all management fees that have been paid by the Fund during the year and is entitled to receive a monthly management fee between 2% & 2.5% (2016: 2% & 2.5%) of the funds invested by Unitholders, which have been invested in a mortgage.

If Unitholders Funds have been received but have not been invested in a mortgage, the Responsible Entity is entitled to a management fee of only 0.2% (2016: 0.2%). Management fees are paid on a monthly basis from interest received from financial institution.

In the event that a Borrower is required to pay the default rate of interest, the Responsible Entity is entitled to an Assured Interest Program Facility Fee, being any higher rate of interest paid by the Borrower, which is currently 4% (2016: 4%). This fee is paid to the Responsible Entity by the Fund, only upon payment from the Borrower of the higher rate of interest.

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NOTE 15 - RELATED PARTY DISCLOSURES (CONT'D)

(d) Related Party Transactions

Assured Management Limited - Transactions between the Fund and the Responsible Entity during the year are outlined at Note 15(c) above.

(c) Related Party Investments in the Fund

All investment transactions with related parties, are conducted on terms and conditions no more favourable than to other Unitholders of the Fund.

The following related parties and entities related to them, hold interests in the Fund as at 30 June 2017 to the value of \$369,932 (2016: \$845,427). Distributions paid to these Directors and entities related to them during financial year total \$52,791 (2016: \$42,582).

- Assured Management Limited (Responsible Entity)
- Stephen Davoren (Director)
- Michael Coman (Director)

(f) Assured Interest Paid by the Responsible Entity

The following fees were received by the Fund from the Responsible Entity for the financial year:

	2017	2016
	\$	\$
Assured Interest Payments	<u>355,741</u>	<u>278,131</u>

Should a borrower cease to pay interest on a loan, the Responsible Entity pays the unitholder the Assured Interest due by the borrower.

Such interest called "Assured Interest" is repaid to the Responsible Entity if and when collected from the borrower. If the Assured Interest is not paid by the borrower, the Responsible Entity does not have any recourse from the unitholders for interest paid as Assured Interest to the unitholders. The fund would have normal rights under the terms of mortgage with the borrower.

NOTE 16 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Fund's objective in managing risk is the protection of unitholder value. Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk (which includes interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds or issues.

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Risk Management Structure

The Fund's Responsible Entity is responsible for identifying and controlling risks. The Board of Directors supervises the Responsible Entity and is ultimately responsible for the overall risk management approach within the Fund.

Risk Measurement and Reporting System

Monitoring and controlling risks is primarily performed based on policies established by the Responsible Entity. These policies reflect the business strategy and market environment of the Fund, as well as the level of risk the Fund is willing to accept.

Risk Mitigation

The Fund has developed investment guidelines as part of its overall business strategies and its general risk management.

Excessive Risk

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or loans and advances are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical 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.

In order to avoid excessive concentration of risk, the Fund's policies and procedures include guidelines to focus on maintaining a diversified portfolio. The Board will manage excessive risk concentrations when they arise.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

The Fund is not exposed to currency risk and other price risk; and the Fund does not trade in the financial instruments it holds on its books.

The Fund is not materially exposed to movements in interest rates as Loans Receivable and Unitholders Funds are on fixed interest terms, with only minimal Cash and Cash Equivalents on variable interest rates. Details of the 'Interest Rate Risk Profile' is set out in Note 18, while no sensitivity analysis has been performed as Loans Receivables and Unitholders Funds are on fixed interest terms.

Credit Risk – Loans

Credit risk is the risk that a Borrower will cause a financial loss for the Fund, by failing to discharge an obligation.

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NOTE 16 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit Risk – Loans (Cont'd)

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Compliance Plan only allows loans to borrowers at a maximum loan to valuation ratio of 70%. Valuers are selected from a panel approved by the Board of Directors of the Responsible Entity that meet strict criteria.

The Fund minimises concentrations of credit risk in relation to Loans Receivable by undertaking transactions with a large number of customers within the specified category. The details of the geographical and significant borrowers concentrations are set out in Note 7(d).

As the Fund is a contributory fund, credit losses for loans are borne by the unitholders that funded each individual loan.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is not subject to material liquidity risk, as Unitholders Funds are tied to individual Loans Receivable.

The Fund has set out in Note 17, the 'Maturity Profile of Financial Assets and Financial Liabilities', based on the contractual repayment terms.

Per the Product Disclosure Statement and the Fund's Constitution, Cash at Bank is currently held with a regulated financial institution.

Capital Management

Management control the capital of the Fund to ensure that adequate cash flows are generated to fund its lending portfolio programs and that returns from investments are maximised. The Board ensures that the overall risk management strategy is in line with this objective.

The Board operates under policies approved by it. Risk Management policies are approved and reviewed by the board on an annual basis. These include credit risk policies and future cash flow requirements. The Fund's capital consists of financial liabilities, supported by financial assets.

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NOTE 17 - MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans receivable, the repayment amount and frequency. The table shows the period in which different monetary assets and liabilities held, will mature and be eligible for renegotiation or withdrawal.

In the case of loans receivable, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. For loans that are impaired, the carrying amount less any provision for impairment, has been used in the table below.

Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the Statement of Financial Position.

	30-Jun-17					
	1-3 Months	3-6 Months	6-12 Months	1-3 Years	No Maturity	Total
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	12,447,836	12,447,836
Interest and Other Receivables	319,977	-	-	-	-	319,977
Loans Receivable	12,094,761	2,174,560	12,313,502	21,182,904	-	47,765,727
On Balance Sheet	12,414,738	2,174,560	12,313,502	21,182,904	12,447,836	60,533,540
Undrawn Commitments Note 7(b)	-	-	-	-	39,252,906	39,252,906
Total Financial Assets	12,414,738	2,174,560	12,313,502	21,182,904	51,700,742	99,786,446
Financial Liabilities						
Trade and Other Payables	445,777	-	-	-	-	445,777
Unitholders Funds	15,994,850	4,279,948	16,621,682	24,050,129	3,380,250	64,326,859
Total Financial Liabilities	16,440,627	4,279,948	16,621,682	24,050,129	3,380,250	64,772,636

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NOTE 17 - MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

	30-Jun-16					
	1-3 Months	3-6 Months	6-12 Months	1-3 Years	No Maturity	Total
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	3,609,393	3,609,393
Interest and Other Receivables	238,183	-	-	-	-	238,183
Loans Receivable	14,391,153	6,645,082	20,286,517	8,857,858	-	50,180,610
On Balance Sheet	14,629,336	6,645,082	20,286,517	8,857,858	3,609,393	54,028,186
Undrawn Commitments Note 7(b)	-	-	-	-	22,753,730	22,753,730
Total Financial Assets	14,629,336	6,645,082	20,286,517	8,857,858	26,363,123	76,781,916
Financial Liabilities						
Trade and Other Payables	239,667	-	-	-	-	239,667
Unitholders Funds	17,537,755	8,953,546	18,890,075	10,599,393	1,215,616	57,196,385
Total Financial Liabilities	17,777,422	8,953,546	18,890,075	10,599,393	1,215,616	57,436,052

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18 - INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

30 June 2017						
Floating Interest Rate	Fixed Interest Rate Maturing In:			Non- Interest Rate Sensitive	Total Carrying Amount per Financial Statements	Weighted Average Interest Rate
	1 Year or Less	Over 1 to 5 years	More Than 5 Years			
\$	\$	\$	\$	\$	\$	%
Financial Assets						
Cash and Cash Equivalents	12,447,836	-	-	-	12,447,836	1.16
Interest and Other Receivables	-	-	-	319,977	319,977	-
Loans Receivable	26,582,823	21,182,904	-	-	47,765,727	12.00
Total Financial Assets	12,447,836	26,582,823	21,182,904	319,977	60,533,540	
Financial Liabilities						
Trade and Other Payables	-	-	-	445,777	445,777	-
Unitholders Funds ¹	33,204,125	23,625,798	-	-	56,829,923	9.50
Unitholders Funds ²	3,380,250	-	-	-	3,380,250	1.16
Total Financial Liabilities	3,380,250	33,204,125	23,625,798	445,777	60,655,950	

1 - Unitholders Funds invested in a mortgage.

2 - Unitholders Funds not yet invested in a mortgage.

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NOTE 18 - INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

30 June 2016						
Floating Interest Rate	Fixed Interest Rate Maturing In:-			Non- Interest Rate Sensitive	Total Carrying Amount per Financial Statements	Weighted Average Interest Rate
	1 Year or Less	Over 1 to 5 years	More Than 5 Years			
\$	\$	\$	\$	\$	\$	%
Financial Assets						
Cash and Cash Equivalents	3,609,393	-	-	-	3,609,393	2.03
Interest and Other Receivables	-	-	-	238,183	238,183	-
Loans Receivable	41,322,752	8,857,858	-	-	50,180,610	12.00
Total Financial Assets	3,609,393	41,322,752	8,857,858	238,183	54,028,186	
Financial Liabilities						
Trade and Other Payables	-	-	-	239,667	239,667	-
Unitholders Funds ¹	42,851,453	9,721,449	-	-	52,572,902	9.50
Unitholders Funds ²	1,215,616	-	-	-	1,215,616	2.03
Total Financial Liabilities	1,215,616	42,851,453	9,721,449	239,667	54,028,185	

1 - Unitholders Funds invested in a mortgage.

2 - Unitholders Funds not yet invested in a mortgage.

Interest revenue is directly linked to interest expense, as the Fund is a non-pooled contributory fund (i.e. unitholders are directly linked to loans) and other than the Responsible Entity fees retained (as detailed in Note 15(c)), interest revenue from loans is directly passed onto unitholders that funded the loan. As a result, the Fund does not have any interest rate risk.

ASSURED MORTGAGE FUND
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FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19 - FAIR VALUE MEASUREMENT

Fair Value Hierarchy

The fund measures its loans receivables at amortised cost unless the security used to secure the loan is independently valued at less than the loan book value, in which case an impairment is booked against that loan. The fair value of the property securing the loan is the only element that can be regarded as involving fair value measurement techniques. In such cases the fair value is determined in the following manner and hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:
 - quoted market prices in active markets for similar assets or liabilities;
 - quoted prices for identical or similar assets or liabilities in markets that are considered less than active; or
 - other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them.

The table below categorises and discloses only those loans receivable that have been impaired and thus subject to a write-down based upon independent valuation being the fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new Standard.

	Level 1 \$	Level 2 \$	Level 3 \$
2017 Financial Assets			
Loans Receivable	-	-	560,000
Total Financial Assets	-	-	560,000
2016 Financial Assets			
Loans Receivable	-	-	955,000
Total Financial Assets	-	-	955,000

ASSURED MORTGAGE FUND
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NOTE 19 - FAIR VALUE MEASUREMENT (CONT'D)

Valuation Techniques and Unobservable Inputs Used to Derive Level 3 Fair Values

Loans Receivable

The carrying value less impairment provision of Loans Receivable is a reasonable approximation of their fair values. The fair value is assessed each reporting period by Directors as disclosed at Note 1(j).

Due to the short-term nature of the financial assets and financial liabilities, they are recorded at amortised cost and the carrying amounts of those financial instruments approximates their fair value.

The Responsible Entity of the Fund has a control framework in place to monitor the measurement of fair value, particularly in relation to Level 3 Instruments. The principles of this control framework are based on the following activities:

- Compliance Committee Meetings;
- Compliance Plan guidelines to determine appointment and engagement of approved registered valuers;
- Compliance Monitoring;
- Review of the Fund's strategy; and
- Due diligence over new loans and rollover of loan facilities.

Reconciliation of Recurring Level 3 Fair Value Measurements

The movement in the fair value of Level 3 assets during the year was:

	2017	2016
	Impaired Loans Receivable	Impaired Loans Receivable
	\$	\$
Balance at the beginning of the year	955,000	955,000
Transfers into / (out of) level 3	<u>(395,000)</u>	<u>-</u>
Balance at the end of the year	<u>560,000</u>	<u>955,000</u>

There has been no change to the valuation techniques used to calculate the fair values disclosed in the notes to the financial statements.

Impairment

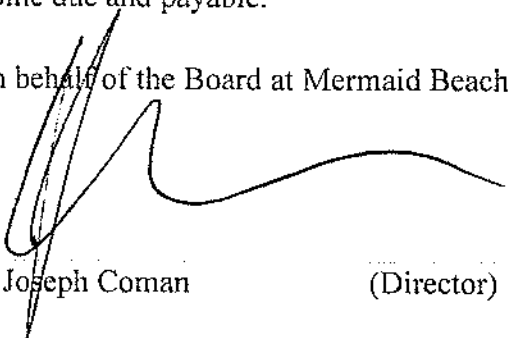
Assured Mortgage Fund is a Contributory Mortgage Scheme and accordingly investors receive a specific interest in a mortgage. Any increases or decreases in the loan is directly attributed to Unitholders and therefore the fair value adjustment is recognised directly in the Statement of Changes in Net Assets Attributable to Unitholders.

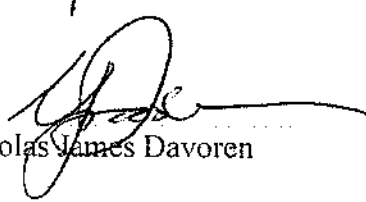
ASSURED MORTGAGE FUND
ARSN 089 809 067
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

In accordance with a resolution of the Directors of Assured Management Ltd, we state that, in the opinion of the Directors:

- (a) The financial statements and notes of the Fund for the financial year ended 30 June 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards and the *Corporations Regulations 2001*.
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
- (c) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Dated on behalf of the Board at Mermaid Beach this 4th day of September 2017.


Michael Joseph Coman (Director)


Nicholas James Davoren (Director)



**Independent Auditor's Report
To the Members of Assured Mortgage Fund**

Opinion

We have audited the financial report of Assured Mortgage Fund ("the Fund") which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in net asset attributable to unitholders and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Assured Management Limited, the Responsible Entity of the Fund ("the directors"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the directors' report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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Thomas Noble & Russell is a member of International. A world-wide organization of accounting firms and business advisers.



In connection with our audit of the financial report, our responsibility is to read the other information 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, 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 for the Financial Report

The directors 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 determine 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 are responsible for assessing the ability of the Fund 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 either intend to liquidate the Fund 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 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

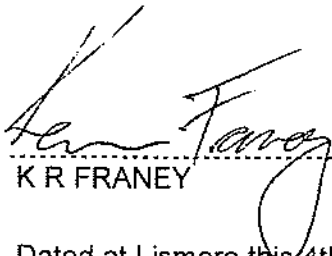


- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**



K R FRANEY (Partner)

Dated at Lismore this 4th day of September 2017.