

ASSURED MORTGAGE FUND
ARSN 089 809 067

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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ASSURED MORTGAGE FUND
ARSN 089 809 067

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 half-year ended 31 December 2016.

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

Review of Operations

Net profit attributable to Unitholders for the half-year ended 31 December 2016 was \$nil (2015: \$nil).

The distribution rate ranges from 9.5% to 10% per annum (2015: 9.5% to 10% per annum). The rate of distributions paid to each investor is set at the time of entering into the mortgage investment.

Distributions paid or payable to Unitholders during the half-year ended 31 December 2016 totalled \$2,664,774 (2015: \$2,235,065).

The Fund had a total gross Loan Receivables of \$61,077,260 (33 Loans) at 31 December 2016 which has increased from \$59,038,402 (28 Loans) at 30 June 2016. The Directors have been working hard to source new loans and the demand for loans has increased.

Loans in 'Technical Default' as at 31 December 2016

As at 31 December 2016, the Fund had three (3) loans in technical default, in that the due date for repayment of principal had passed, but all other loan commitments (including payment of interest) were being met. The Directors wish to summarise the current position of these loans:

Loan 242

This loan is in technical default as at 31 December 2016 as it is past its maturity date of 18 December 2016. Interest has continued to be paid at all times. The plans have now been sealed and the delay in sealing the plans caused delays in settlements. Of the six (6) units, one (1) unit has sold and settled, three (3) units are under contract and due to settle in March, and the remaining two (2) units are to be refinanced in March. The loan is therefore expected to be paid out in March 2017.

Loan 238

This loan is in technical default as at 31 December 2016 as it is past its maturity date of 27 October 2016. Interest has continued to be paid at all times. A contract was entered into for the sale of the property which fell through. A new contract was entered into and settlement has occurred and the loan has subsequently been repaid in full.

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DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Loans in 'Technical Default' as at 31 December 2016 (Cont'd)

Loan 194

This loan is in technical default as at 31 December 2016 as it is past its maturity date of 11 October 2016. Interest has continued to be paid at all times. This loan rolled over for a further period of 18 months on the 11 January 2017.

Loans in 'Default' as at 31 December 2016

As at 31 December 2016, the Fund had four (4) loans in default totalling \$2,693,167, being 4% of the total loan book. A 'Provision for Impairment' has been raised relating to two (2) of these loans (Refer to 'Note 5' for further information).

Loan 172 and 173

These two (2) loans are currently in default as the Borrower failed to pay interest in January 2015. The Assured Interest Program has been applied to this loan since January 2015. The loans comprise of two (2) blocks of land side-by-side in the Caboolture area. The Responsible Entity applied for new Development Applications over both sites and Approvals have been granted by the council. The Responsible Entity is currently in discussions with a possible purchaser.

Loan 232 - Lot 20

This loan is currently in default as the Borrower went into Liquidation in February 2016. The Responsible Entity completed the project from its own funds. The duplex plans have been sealed by Council and Registered. Both units are currently under contract. The Responsible Entity has continued to pay the interest to investors through the Assured Interest Program.

Loan 222 - Lots 21, 22, 23 and 24

This loan is currently in default as the Borrower went into Liquidation in February 2016. Two (2) lots of vacant land have been sold and settled. The Responsible Entity is in the process of completing the construction of the Units on the remaining lots. The plans have been lodged with the Council for sealing and once sealed will be lodged for registration with the Titles Office. All remaining Units are under contract. The Responsible Entity has continued to pay the interest to investors through the Assured Interest Program.

Loans in 'Default' After Balance Date

Loan 241

On the 23rd January 2017, the Borrower for Loan 241, failed to pay interest by the due date. Partial repayments of interest were made, however all outstanding interest has now been repaid in full and the loan is no longer in default.

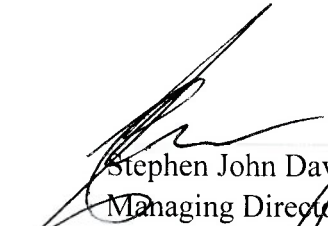
**ASSURED MORTGAGE FUND
ARSN 089 809 067**

**DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

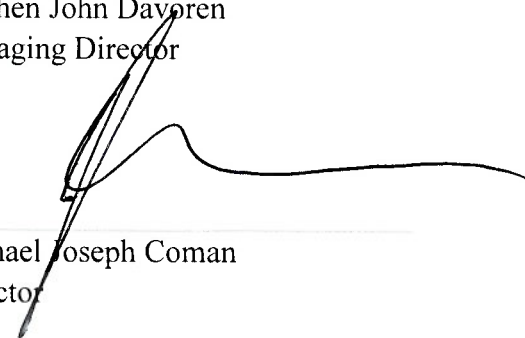
Auditor's Independence Declaration

The auditor's independence declaration under s307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2016.

Signed in accordance with a resolution of the Directors of Assured Management Limited, as Responsible Entity for Assured Mortgage Fund, at Mermaid Beach this 3rd day of March 2017:



Stephen John Davoren
Managing Director



Michael Joseph Coman
Director



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Assured Mortgage Fund for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Dated at Lismore this 3rd day of March 2017.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

.....
D H SINGH (Partner)
Registered Company Auditor

ASSURED MORTGAGE FUND
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STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$	\$
Revenue		
Application Fees	536,580	626,312
Interest Revenue - Cash and Cash Equivalents	7,328	26,534
Interest Revenue - Loans Receivable	3,196,530	2,733,306
Assured Interest Program Advances Forgone	127,926	47,233
Release Fees	40,590	49,005
Default Interest	3,510	43,560
	<u>3,912,464</u>	<u>3,525,950</u>
Expenses		
Fees Paid to the Responsible Entity:		
Application Fees	489,172	556,513
Assured Interest Program Facility Fee	95,653	112,120
Management Fees	621,532	533,028
Release Fees	37,823	45,664
Default Interest	3,510	43,560
	<u>1,247,690</u>	<u>1,290,885</u>
Profit for the Period	<u>2,664,774</u>	<u>2,235,065</u>
Distributions to Unitholders	(2,664,774)	(2,235,065)
Loans Receivable Impairment	(67,549)	-
Other Comprehensive Income	-	-
Change in Net Assets Attributable to Unitholders	<u>(67,549)</u>	<u>-</u>

These financial statements should be read in conjunction with the accompanying notes.

ASSURED MORTGAGE FUND
ARSN 089 809 067

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 \$	30 June 2016 \$
Assets			
Cash and Cash Equivalents		1,412,606	3,609,393
Interest and Other Receivables		523,817	238,183
Loans Receivable	4(a)	59,571,311	50,180,609
Other Assets		985,929	827,191
Total Assets		<u>62,493,663</u>	<u>54,855,376</u>
Liabilities			
Trade and Other Payables		713,700	239,667
Other Liabilities		985,929	827,191
Total Liabilities (Excluding Net Assets Attributable to Unitholders)		<u>1,699,629</u>	<u>1,066,858</u>
Net Assets Attributable to Unitholders	6	<u><u>60,794,034</u></u>	<u><u>53,788,518</u></u>

These financial statements should be read in conjunction with the accompanying notes.

ASSURED MORTGAGE FUND
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Total 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	4,055,438	4,055,438	4,055,438
Redemption of Redeemable Units	<u>(6,007,270)</u>	<u>(6,007,270)</u>	<u>(6,007,270)</u>
Balance as at 31 December 2015	<u>49,555,830</u>	<u>49,555,830</u>	<u>49,555,830</u>
Balance as at 1 July 2016	53,788,518	53,788,518	53,788,518
Issue of Redeemable Units	9,633,535	9,633,535	9,633,535
Redemption of Redeemable Units	(2,560,470)	(2,560,470)	(2,560,470)
Loan Receivable Impairment	<u>(67,549)</u>	<u>(67,549)</u>	<u>(67,549)</u>
Balance as at 31 December 2016	<u>60,794,034</u>	<u>60,794,034</u>	<u>60,794,034</u>

These financial statements should be read in conjunction with the accompanying notes.

ASSURED MORTGAGE FUND
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STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 December 2016 \$	31 December 2015 \$
	Inflows / (Outflows)	Inflows / (Outflows)
Cash Flows from Operating Activities		
Interest Received	3,313,229	2,879,612
Other Revenue Received	498,358	1,112,244
GST Received	95,650	112,121
Payments for Operating Expenses	<u>(1,323,682)</u>	<u>(1,809,800)</u>
Net Cash Provided by / (Used in) Operating Activities	<u>2,583,555</u>	<u>2,294,177</u>
Cash Flows from Investing Activities		
Loans Advanced to Borrowers	(25,632,120)	(20,265,348)
Loans Repaid by Borrowers	<u>22,562,794</u>	<u>23,819,006</u>
Net Cash Provided by / (Used in) Investing Activities	<u>(3,069,326)</u>	<u>3,553,658</u>
Cash Flows from Financing Activities		
Unitholders Funds Received from Investors	9,633,535	4,055,438
Unitholders Funds Repaid to Investors	(8,760,020)	(6,007,269)
Distributions Paid to Investors	<u>(2,584,531)</u>	<u>(2,288,931)</u>
Net Cash Flows Provided by / (Used In) Financing Activities	<u>(1,711,016)</u>	<u>(4,240,762)</u>
Net Increase / (Decrease) in Cash Held	(2,196,787)	1,607,073
Cash and Cash Equivalents at 1 July	<u>3,609,393</u>	<u>8,225,018</u>
Cash and Cash Equivalents at 31 December	<u><u>1,412,606</u></u>	<u><u>9,832,091</u></u>

These financial statements should be read in conjunction with the accompanying notes.

ASSURED MORTGAGE FUND
ARSN 089 809 067

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1 - APPROVAL OF FINANCIAL STATEMENTS

The financial statements of Assured Mortgage Fund for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors of the Responsible Entity, Assured Management Limited, on 3rd March 2017.

NOTE 2 - BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose interim financial report for the year-end ended 31 December 2016 has been prepared in accordance with the AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. Assured Mortgage Fund is a "Contributory Fund" and Unitholders have direct investments in Loans Receivables. The interim financial report has also been prepared on a historical cost basis and is presented in Australian Dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board ('AASB') and International Financial Reporting Standards ('IFRS') applicable to interim reporting as issued by the International Accounting Standards Board.

The half-year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the most recent annual financial report of the Fund.

(c) Changes in Accounting Standards

The significant accounting policies adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the Fund financial report for the year ended 30 June 2016.

(d) Basis of Valuation of Securities

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.

At December, for the purposes of interim financial reporting, the Directors use other information in their assessments, due to the high cost of formal valuations, and consider factors such as DA lapses, re-zoning changes, sales and rentals within the security and surrounding areas as a trigger to re-assess security values. Directors also consider general supply and demand movements in the property sector to the extent that such affects the assets used to secure the loans.

ASSURED MORTGAGE FUND
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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 could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The significant accounting policies have been consistently applied in the current financial period and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

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.

i. Provision for Impaired Loans

An assessment of the loan portfolio was carried out at end of the period. There were two (2) loans that were considered impaired in the amount of \$333,500 (30 June 2016: \$6,465,500 three (3) loans).

NOTE 4 - LOANS RECEIVABLE

	31 December 2016	30 June 2016
	\$	\$
(a) Amount Due Comprises		
Loans Receivable	61,077,260	59,038,402
Less: Borrowers Funds Held in Trust	(1,172,449)	(2,392,293)
Less: Provision for Impairment (Note 5)	(333,500)	(6,465,500)
	<u>59,571,311</u>	<u>50,180,609</u>
(b) Financial Commitments		
The Fund has the following undrawn Loans Receivable commitments:		
Approved Loans Receivable	87,803,324	81,792,132
Less: Loans Receivable Drawn Down	(61,077,260)	(59,038,402)
	<u>26,726,064</u>	<u>22,753,730</u>

ASSURED MORTGAGE FUND
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 4 - LOANS RECEIVABLE (CONT'D)

(c) Credit Quality - Security Held Against Term Loans

All loans receivable noted at Note 4(a) are secured by registered first mortgages and are disclosed by type as follows:

	31 December		30 June	
	2016		2016	
	#	\$	#	\$
Construction - Residential	9	21,300,947	6	16,640,103
Property - Residential	5	4,240,215	5	5,688,732
Subdivision - Residential	12	26,606,284	9	20,831,100
Vacant Land - Residential	7	8,929,814	8	15,878,467
Totals	<u>33</u>	<u>61,077,260</u>	<u>28</u>	<u>59,038,402</u>

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

	31 December		30 June	
	2016		2016	
	#	\$	#	\$
Loan to Valuation Ratio >70%	2	893,500	1	6,527,000
Loan to Valuation Ratio 61-70%	22	47,191,998	16	29,238,670
Loan to Valuation Ratio 51-60%	8	12,741,762	11	23,272,732
Loan to Valuation Ratio > 51%	1	250,000	-	-
Totals	<u>33</u>	<u>61,077,260</u>	<u>28</u>	<u>59,038,402</u>

(d) Concentrations of Credit Risk

Concentrations of credit risk arise in the following categories:

	31 December		30 June	
	2016		2016	
<u>Concentration of Geographic Location:</u>				
Sunshine Coast, QLD	7	12,054,731	6	10,257,915
Brisbane, QLD	11	23,287,414	9	20,235,179
Ipswich, QLD	8	14,352,215	7	13,247,367
Other, QLD	4	4,709,400	5	12,776,600
Gold Coast, QLD	3	6,673,500	1	2,521,341
Totals	<u>33</u>	<u>61,077,260</u>	<u>28</u>	<u>59,038,402</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 4 - LOANS RECEIVABLE (CONT'D)

(d) Concentrations of Credit Risk (Cont'd)

Concentration of Borrowers:

Loans Receivable to individual
Borrowers exceeding 10% of
Unitholders Funds

	2	12,536,701	2	13,811,001
		31 December		30 June
		2016		2016
		\$		\$

NOTE 5 - PROVISION FOR IMPAIRMENT

(a) Movement in the Provision for Impairment - Loans Receivable

Balance at the Beginning of the Financial Year	6,465,500	5,047,000
Add: Recognition of Impairment	-	1,418,500
Less: Reversal of Impairment Loss	(6,132,000)	-
Balance at the End of the Financial Year	333,500	6,465,500

(b) Analysis of Loans Receivable that are Individually Determined to be Impaired

As at 31 December 2016, the Fund had two (2) loans receivable that had been classified as impaired. An analysis of these impaired loans receivable follows:

	Security Value \$	Carrying Value \$	Provision for Impairment \$
549 to 719 days in arrears	560,000	893,500	(333,500)
Totals	560,000	893,500	(333,500)

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 5 - PROVISION FOR IMPAIRMENT (CONT'D)

(b) Analysis of Loans Receivable that are Individually Determined to be Impaired (Cont'd)

As at 30 June 2016, the Fund had three (3) loans receivable that had been classified as impaired. An analysis of these impaired loans receivable follows:

	Security Value	Carrying Value	Provision for Impairment
	\$	\$	\$
366 to 536 days in arrears	560,000	893,500	(333,500)
2,948 to 3,047 days in arrears	<u>395,000</u>	<u>6,527,000</u>	<u>(6,132,000)</u>
Totals	<u><u>955,000</u></u>	<u><u>7,420,500</u></u>	<u><u>(6,465,500)</u></u>

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

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

As at 31 December 2016, the Fund had five (5) loans receivable that had been classified as past due but not impaired. An analysis of these past due but not impaired loans follows:

	Security Value	Carrying Value
	\$	\$
0 to 55 days in arrears	<u>14,052,000</u>	<u>7,922,167</u>
Total	<u><u>14,052,000</u></u>	<u><u>7,922,167</u></u>

The above loans receivable are secured by 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. An analysis of these past due but not impaired loans follows:

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

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

ASSURED MORTGAGE FUND
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 December 2016	30 June 2016
	\$	\$
NOTE 6 - UNITHOLDERS FUNDS		
Unitholders Funds Comprises		
Funds Received and Invested in a Mortgage	60,743,760	52,572,902
Funds Received but not yet Invested in a Mortgage	<u>50,274</u>	<u>1,215,616</u>
Total Unitholders Funds	<u><u>60,794,034</u></u>	<u><u>53,788,518</u></u>

NOTE 7 - EVENTS AFTER BALANCE DATE

Apart from the below event, there have been no other matters or circumstances not otherwise dealt with in the interim financial report that have significantly affected or may significantly affect the Fund.

On 23 January 2017, the Borrower for Loan 241, failed to pay interest by the due date. Partial repayments of interest were made, however all outstanding interest has now been repaid in full and the loan is no longer in default.

**ASSURED MORTGAGE FUND
ARSN 089 809 067**

**DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

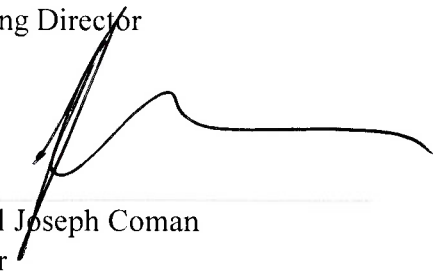
In the opinion of the Directors of Assured Management Limited, as Responsible Entity for Assured Mortgage Fund:

- (a) The financial statements and notes of the Fund are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Assured Management Limited, as Responsible Entity for Assured Mortgage Fund, at Mermaid Beach this 3rd day of March 2017.



Stephen John Davoren
Managing Director



Michael Joseph Coman
Director



**Independent Auditor's Review Report
To the Unitholders of Assured Mortgage Fund:**

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Assured Mortgage Fund ("the fund"), which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and comprehensive income, the condensed statement of net assets attributable to unitholders and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of the responsible entity of the fund are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the responsible entity a written auditor's independence declaration, a copy of which is included in the directors' report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Assured Mortgage Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the fund's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

A handwritten signature in black ink, appearing to read 'D H Singh', is written over a horizontal dotted line.

D H SINGH (Partner)

Dated at Lismore this 3rd day of March 2017.