

ASSURED MORTGAGE FUND
ARSN 089 809 067

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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Registered & Principal Place of Business:
Suite 12A, Mermaid Plaza
2378 Gold Coast Highway
Mermaid Beach QLD 4218

ASSURED MORTGAGE FUND
ARSN 089 809 067
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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
- Michael Joseph Coman
- Nicholas James Davoren

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 \$13,949,395 (2018: \$10,354,876) less expenses of \$4,924,885 (2018: \$3,619,991) resulted in a distribution to Unitholders of \$9,024,510 (2018: \$6,734,885).

Review of Operations

During the financial year, the value of loans on issue increased from a gross opening balance of \$87,582,390 comprising 33 loans, to a gross value of \$100,888,963 comprising of 42 loans. This involved the Loans Approval Committee, following appropriate due diligence, approving 23 new loans (2018: 21) totalling \$21,538,222 (2018: \$20,725,298) and 180 loan increases (2018: 202) totalling \$54,631,779 (2018: \$59,255,633). Loans paid out and reductions made, totalled \$62,863,427 (2018: \$49,561,963) comprising 88 transactions (2018: 66). The number of interests in the Fund as at 30 June 2019 was 239 (2018: 214).

The introduction of Australian Accounting Standard AASB 9 *Financial Instruments* has introduced a change in the method for calculating the allowance for impaired loans. In prior years under AASB 139 *Financial Instruments: Recognition and Measurement*, the allowance was calculated using the 'incurred loss' model based on an assessment of each loan to determine whether the Fund was exposed to any loss after the loan was in default and whether the value of security attached to each loan was sufficient to cover all outstanding amounts. Under AASB 9, the allowance calculation reflects a probability-weighted outcome; time value of money; and reasonable and supportable information about past events, current conditions and future forecasts. The Fund has historically experienced very little loss for its investors, however the Directors of the Responsible Entity have been prudent and determined that a provision of \$1.4m should be set aside to comply with the calculation requirements of AASB 9. This allowance for impairment equates to 1.4% of the value of the gross loan book and represents the low loss history of the Fund.

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Loans in Default

As at 30 June 2019, the Fund had four (4) loans in default. The Directors summarise the current position of these loans:

Loan 262

This loan was in default as at 30th June 2019 as the Borrower was unable to meet interest payments from May 2019. The Assured Interest Program has been applied to this loan. The survey plan has encountered lengthy delays in registration due to additional requirements from Qld Urban Utilities (QUU) and Ipswich City Council. The Directors understand that all works have been completed, QUU has issued their final completion certificate, and now await the sealing of the plan which has been lodged with Council. The Borrower has provided information regarding sales which will be sufficient to repay the loan in full.

Loan 265

This loan was in default as at 30th June 2019 as the Borrower was unable to meet interest payments from December 2018. The Assured Interest Program has been applied to this loan. The existing mortgaged property consists of ten (10) existing residential lots and a balance of land area for which the Directors need to register a Plan of Subdivision, which will provide a further seven (7) residential lots, two (2) super lots suitable for a large townhouse development and one (1) lot which the Government is currently negotiating a resumption for rail purposes.

Delays have occurred regarding the issuing of final certificates by Ipswich City Council and QUU. Uncompleted works have been attended to and completed and the QUU certificate has been issued and sealing of the plan is imminent.

Loan 283

This loan was in default as at 30th June 2019 as the borrower was unable to meet interest payments in April 2019. The Assured Interest Program has been applied to this loan. The Borrower has subsequently repaid this loan in full with all interest and outlays being fully recovered.

Loan 288

This loan was in default as at 30th June 2019 as the borrower was unable to meet interest payments in April 2019. The Assured Interest Program has been applied to this loan. The Directors issued Notices of Exercise Power of Sale in order to sell the property. However, the Borrower has subsequently repaid this loan in full with all interest and outlays being fully recovered.

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FOR THE YEAR ENDED 30 JUNE 2019

Loans in 'Technical Default'

As at 30 June 2019, the Fund had one (1) loan in technical default. The Directors summarise the current position of these loans:

Loan 289

This loan was in technical default as at 30th June 2019 as the loan has past its maturity date of 13th June 2019. Interest has been paid at all times by the Borrower. The Directors are awaiting registraton of the Plan and a number of settlements are to happen prior to reducing the loan and/or approving the rollover/extension of the loan for a further 12 months.

Loans in 'Default' or 'Technical Default' After Balance Date

Loan 303

This loan went into 'default' on 10 August 2019 as the Borrower failed to pay interest. Notices of Exercise of Power of Sale are currently being issued. The Assured Interest Program is currently being applied to this loan. The site has now reached 'on maintenance' with plan sealing to commence shortly after.

Loan 291

This loan went into 'technical default' on 23 July 2019 as the loan has past its maturity date. Interest has been paid by the Borrower at all times. The loan has been approved for rollover for a further period of 18 months and we are currently awaiting the completion of conditions and documentation in order to finalise.

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 2019

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 Fund.

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:

	2019	2018
	\$	\$
Distributions Paid	8,978,466	6,531,946
Distributions Payable	46,044	202,939
Total Distributions	<u>9,024,510</u>	<u>6,734,885</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(d) of the Financial Statements.

ASSURED MORTGAGE FUND
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

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

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

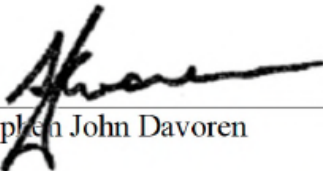
Interests in the Fund

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 6 of the Financial Statements.

Signed in accordance with a resolution of the Directors of Assured Management Limited, as Responsible Entity for Assured Mortgage Fund:



Stephen John Davoren

(Director)

Dated at Mermaid Beach this 13th day of September 2019.




AUDITOR’S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Assured Mortgage Fund for the year ended 30 June 2019, 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 13th day of September 2019.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per: 
 K R 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 2019

	Note	2019 \$	2018 \$
Revenue	(2)	13,949,395	10,354,876
Expenses	(3)	<u>(4,924,885)</u>	<u>(3,619,991)</u>
Profit for the Year		<u>9,024,510</u>	<u>6,734,885</u>
Income Tax Expense	(1(b))	<u>-</u>	<u>-</u>
Profit for the Year		<u>9,024,510</u>	<u>6,734,885</u>
Distributions to Unitholders		<u>(9,024,510)</u>	<u>(6,734,885)</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 2019

	Note	2019 \$	2018 \$
Assets			
Cash and Cash Equivalents	(5a)	12,108,578	12,447,836
Interest and Other Receivables	(6)	1,807,736	319,977
Loans Receivable	(7)	87,680,483	47,888,136
Other Assets	(9)	<u>1,155,129</u>	<u>1,167,338</u>
Total Assets		<u>102,751,926</u>	<u>61,823,287</u>
Liabilities			
Trade and Other Payables	(10)	1,807,966	445,777
Other Liabilities	(11)	<u>1,155,129</u>	<u>1,167,338</u>
Total Liabilities (Excluding Net Assets Attributable to Unitholders)		<u>2,963,095</u>	<u>1,613,115</u>
Net Assets Attributable to Unitholders	(12)	<u><u>99,788,831</u></u>	<u><u>60,210,172</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 2019

	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 2017		60,210,172	60,210,172	60,210,172
Issue of Redeemable Units		34,246,220	34,246,220	34,246,220
Redemption of Redeemable Units		(5,290,498)	(5,290,498)	(5,290,498)
Loans Receivable Impairment (Reversal)		333,500	333,500	333,500
Balance as at 30 June 2018	12	<u>89,499,394</u>	<u>89,499,394</u>	<u>89,499,394</u>
Adjustment for change in accounting policy on initial application of AASB 9 <i>Financial Instruments</i>		(1,187,651)	(1,187,651)	(1,187,651)
Issue of Redeemable Units		26,154,509	26,154,509	26,154,509
Redemption of Redeemable Units		(14,463,423)	(14,463,423)	(14,463,423)
Allowance for Impairment	1(a)	<u>(213,998)</u>	<u>(213,998)</u>	<u>(213,998)</u>
Balance as at 30 June 2019	12	<u><u>99,788,831</u></u>	<u><u>99,788,831</u></u>	<u><u>99,788,831</u></u>

The accompanying notes form part of these financial statements

ASSURED MORTGAGE FUND
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
		Inflows / (Outflows)	Inflows / (Outflows)
i) Cash Flows from Operating Activities			
Interest Received		10,830,853	8,254,010
Other Revenue Received		1,796,558	1,748,401
GST Received		278,297	260,864
Payments for Operating Expenses		<u>(4,443,328)</u>	<u>(3,764,581)</u>
Net Cash Provided by / (Used in) Operating Activities	(5(b))	<u>8,462,380</u>	<u>6,498,694</u>
ii) Cash Flows from Investing Activities			
Loans Advanced to Borrowers		(69,709,972)	(83,575,914)
Loans Repaid by Borrowers		62,863,427	49,561,962
Monies Held in Trust for Borrowers			<u>(122,409)</u>
Net Cash Provided by / (Used in) Investing Activities		<u>(6,846,545)</u>	<u>(34,136,361)</u>
iii) Cash Flows from Financing Activities			
Unitholders Funds Received from Investors		26,154,509	34,246,219
Unitholders Funds Repaid to Investors		(14,463,423)	(5,290,498)
Distributions Paid to Investors		(8,979,042)	(6,539,586)
Assured Interest Program Advances from Responsible Entity		804,065	108,816
Assured Interest Program Advances Repaid to Responsible Entity		<u>(287,867)</u>	<u>(70,619)</u>
Net Cash Provided by / (Used in) Financing Activities		<u>3,228,242</u>	<u>22,454,332</u>
Net Increase / (Decrease) in Cash Held		4,844,077	(5,183,335)
Cash and Cash Equivalents at the Beginning of the Financial Year		<u>7,264,501</u>	<u>12,447,836</u>
Cash and Cash Equivalents at the End of the Financial Year	(5(a))	<u><u>12,108,578</u></u>	<u><u>7,264,501</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 2019

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

Assured Mortgage Fund ("the Fund") is an unlisted managed investment scheme registered under the *Corporations Act 2001*, established and domiciled in Australia. The investment objective of the Fund is to provide Unitholders with regular returns secured by first and/or second registered mortgages and/or caveat/s over real property.

Assured Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of the Fund. The registered office of the Responsible Entity is Suite 12A, Mermaid Plaza, 2378 Gold Coast Highway, Mermaid Beach, Queensland 4218.

The financial statements of Assured Mortgage Fund for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 13 September 2019.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and interpretations of the Australian Accounting Standards Board as well as the Fund's constitution. The Fund is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

The financial statements are presented in Australian Dollars.

New or Amended Accounting Standards and Interpretations Adopted

The Fund has adopted all of the new or amended Accounting Standards and Interpretations Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Fund except as detailed below.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

The following Accounting Standards and Interpretations are most relevant to the Fund:

AASB 9 Financial Instruments

The Fund has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The impact on the financial performance and position of the Fund from the adoption of this Accounting Standard is set out below.

Classification

There was no material impact on the statement of financial position, as all financial assets and financial liabilities continue to be measured at amortised cost.

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

Impairment

The transition provisions of AASB 9 allow an entity not to restate comparatives and instead apply any implementation adjustments against retained earnings. The Fund has elected this transition method and due to the nature of the Fund not having retained earnings and being a contributory fund, implementation adjustments have been made against unitholders funds.

The impact of initial adoption of this standard on the Fund resulted in an increase in the 12 month expected credit losses (ECL) provision for impairment on loans receivable (refer to Note 1(d) for additional information on the new accounting policy) and is summarised as follows:

- an increase to the provision for credit impairment (loans receivable) as at 1 July 2018 of \$1,187,651
- an increase to the provision for credit impairment (unitholders funds) as at 1 July 2018 of \$1,187,651

Interest and other receivables – the calculated allowance for ECL as at 30 June 2019 is unchanged from provision for impairment disclosed as at 30 June 2018.

AASB 15 Revenue from Contracts with Customers

The Fund has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Credit risk is presented separately as an expense rather than adjusted against revenue.

Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

There has been no impact on the financial performance and position of the Fund from the adoption of this Accounting Standard, as it has not resulted in a change to the Fund's revenue recognition policies.

Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

(a) Revenue Recognition

Interest Revenue

Interest revenue is recognised using the effective interest method.

Application Fees

Application Fees revenue is recognised proportionally over the term of the loan.

(b) Income Tax

Under current Australian taxation legislation, the Fund is not subject to income tax provided the unitholders are presently entitled to the income of the Fund and the Fund fully distributes its net taxable income.

(c) Cash and Cash Equivalents

Cash and cash equivalents are deposits held at call with financial institutions.

(d) Interest and Other Receivables

Interest and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Interest and other receivables are generally due for settlement within 30 days.

As interest and other receivables are linked to loans receivable, the Fund has applied the same approach to measuring expected credit losses as loans receivable.

(e) Loans Receivable

Loans receivable are non-derivative financial assets with fixed payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Impairment of Loans Receivables

The Fund applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets that are not measured at fair value through profit or loss - i.e. loans receivable.

Loans receivable migrate through the following three stages based on the change in credit risk since initial recognition:

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

Stage 1: 12-Months ECL

The Fund collectively assesses ECLs on exposures where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Fund recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. The Fund does not conduct an individual assessment of exposures in Stage 1 as there is no evidence of one or more events occurring that would have a detrimental impact on estimated future cash flows.

Stage 2: Lifetime ECL – Not Credit Impaired

The Fund collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these exposures, the Fund recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the loan receivable). Similar to Stage 1, the Fund does not conduct an individual assessment on Stage 2 exposures as the increase in credit risk is not, of itself, an event that could have a detrimental impact on future cash flows.

Stage 3: Lifetime ECL – Credit Impaired

The Fund identifies individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised as a specific provision, and interest revenue (if any) is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Determining the Stage for Impairment

At each reporting date, the Fund assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Fund considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, where appropriate, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination are considered to have a low credit risk. The provision for doubtful debts for these loans receivable is based on a 12-months ECL.

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

For loans that the credit risk has not increased significantly since initial recognition (i.e. where the Responsible Entity has not commenced payments of monthly interest to the respective Investors on behalf of the Borrower), the Fund will measure the loss allowance for the loan at an amount equal to 12-month expected credit losses.

Loans that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

Credit Quality of Loans Receivable

The Fund has an internally developed credit rating scale derived from historical default data to assess the potential default risk in lending. The Fund has pre-defined counterparty probabilities of default across loans receivable.

Inputs, Assumptions and Techniques Used for Estimating Impairment

In assessing the impairment of loans receivable under the expected credit loss model, the Fund defines default generally when the Responsible Entity (Assured Management Ltd) has commenced payments of monthly interest to the respective Investors on behalf of the Borrower (i.e. the 'Assured Interest Program'), or when it is considered unlikely that the credit obligation to the Fund will be paid in full without recourse to actions, such as realisation of security.

Assessment of Significant Increase in Credit Risk

When determining whether the risk of default has increased significantly since initial recognition, the Fund considers both quantitative and qualitative information and analysis based on the Fund's historical experience and expert credit risk assessment, including forward-looking information. Credit risk is deemed to have increased significantly when the Responsible Entity (Assured Management Ltd) has commenced payments of monthly interest to the respective Investors on behalf of the Borrower (i.e. the 'Assured Interest Program').

(f) Trade and Other Payables

These amounts mainly represent liabilities owing to the Responsible Entity and to Unitholders which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

As the Fund has a contractual obligation to distribute its distributable income, a liability is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(g) 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.

(h) Distributions to Unitholders

The Fund distributes income to unitholders in accordance with its constitution. The distributions are recognised in profit or loss as finance costs attributable to unitholders.

(i) Goods & Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by the Responsible Entity have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence, fees paid to the Responsible Entity have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(j) 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.

(k) New Accounting Standards and Interpretations Not Yet Mandatory or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Fund for the annual reporting period ended 30 June 2019. The Fund has performed an assessment of the impact of these new or amended Accounting Standards and Interpretations and does not believe they will have a significant impact on the Fund's financial statements.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 2 - REVENUE		
Application Fees	1,882,213	1,712,390
Interest Revenue - Cash and Cash Equivalents	10,080	19,237
Interest Revenue - Loans Receivables	11,388,927	8,433,793
Assured Interest Program Advances Forgone	-	38,197
Release Fees	109,340	85,140
Default Interest	344,837	66,119
Credit Impairment Charge (Unitholders Funds)	213,998	-
Total Revenue	<u>13,949,395</u>	<u>10,354,876</u>

NOTE 3 - EXPENSES

Fees Paid to the Responsible Entity:		
Application Fees	1,773,267	1,577,084
Assured Interest Program Facility Fees	215,297	260,864
Management Fee	2,212,601	1,636,589
Release Fees	101,885	79,335
Default Interest	407,837	66,119
Credit Impairment Charge (Loans Receivable) - Note 8(a)	213,998	-
Total Expenses	<u>4,924,885</u>	<u>3,619,991</u>

NOTE 4 - AUDITOR'S REMUNERATION

Audit and Review - Financial Statements	28,150	27,500
Other Services - Audit of Compliance Plan	3,200	3,000
Total Auditor's Remuneration	<u>31,350</u>	<u>30,500</u>

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

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	<u>12,108,578</u>	<u>7,264,501</u>
Total Cash and Cash Equivalents	<u>12,108,578</u>	<u>7,264,501</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 2019

	2019	2018
	\$	\$
NOTE 5 - CASH AND CASH EQUIVALENTS (CONT'D)		
b) Reconciliation of Cash Flows from Operating Activities		
Operating Profit Attributable to Unitholders	9,024,510	6,734,885
Non-Cash Flows in Operating Profit:		
- Assured Interest Program Advances Written-Off by Responsible Entity	-	(38,195)
Changes in Assets and Liabilities:		
(Increase) / Decrease in Interest and Other Receivables	(819,368)	(611,460)
(Increase) / Decrease in Other Assets	284,329	(272,121)
Increase / (Decrease) in Trade and Other Payables	257,238	413,464
Increase / (Decrease) in Other Liabilities	(284,329)	272,121
Net Cash Provided by Operating Activities	<u>8,462,380</u>	<u>6,498,694</u>

NOTE 6 - INTEREST AND OTHER RECEIVABLES

Interest Receivable, Gross	1,430,523	517,531
Application Fee Receivable, Gross	298,510	388,339
Release Fee Receivable, Gross	990	495
Total Financial Assets	<u>1,730,023</u>	<u>906,365</u>
Net GST Receivable	<u>77,713</u>	<u>82,002</u>
Total Non-Financial Assets	<u>77,713</u>	<u>82,002</u>
Total Interest and Other Receivables	<u>1,807,736</u>	<u>988,367</u>

NOTE 7 - LOANS RECEIVABLE

(a) Amount Due Comprises:

Loans Receivable	100,888,963	87,582,390
Less: Borrowers Funds Held in Trust	(11,806,831)	(5,346,802)
Less: Allowance for Impairment - Note 8(b)	(1,401,649)	-
Net Loans Receivable	<u>87,680,483</u>	<u>82,235,588</u>

(b) Financial Commitments

The Fund has the following undrawn Loans Receivable commitments:

Approved Loans Receivable	131,833,756	127,140,387
Less: Loans Receivable Drawn Down	(100,888,963)	(87,582,390)
Undrawn Loan Commitment	<u>30,944,793</u>	<u>39,557,997</u>

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 security type as follows:

	2019		2018	
	#	\$	#	\$
Construction - Residential	18	46,384,846	17	48,459,573
Property - Residential	5	2,512,774	-	-
Property - Residential Other	2	2,475,000	1	540,000
Subdivision - Residential	15	46,800,343	11	34,380,567
Vacant Land - Residential	2	2,716,000	4	4,202,250
Totals	<u>42</u>	<u>100,888,963</u>	<u>33</u>	<u>87,582,390</u>

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

Loan to Valuation Ratio >70%	-	-	-	-
Loan to Valuation Ratio 61-70%	38	97,457,123	27	75,106,961
Loan to Valuation Ratio 51-60%	3	2,891,840	5	11,935,429
Loan to Valuation Ratio <51%	1	540,000	1	540,000
Totals	<u>42</u>	<u>100,888,963</u>	<u>33</u>	<u>87,582,390</u>

(d) Concentrations of Credit Risk

Concentrations of credit risk arise in the following categories:

Concentration of Geographic Location

Sunshine Coast, QLD*	4	13,540,828	4	9,593,713
Brisbane, QLD	18	37,025,079	17	46,109,282
Ipswich, QLD	10	29,523,893	8	22,977,861
Other, QLD	2	8,055,124	1	2,090,201
Gold Coast, QLD	6	7,860,206	1	2,821,000
Northern, NSW	2	4,883,833	2	3,990,333
Totals	<u>42</u>	<u>100,888,963</u>	<u>33</u>	<u>87,582,390</u>

* includes Caboolture area

Concentration of Borrowers

Individual Borrowers with Loans Receivable exceeding 10% of Unitholders Funds	<u>-</u>	<u>-</u>	<u>4</u>	<u>11,002,450</u>
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ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 8 - ALLOWANCE FOR IMPAIRMENT		
(a) Credit Impairment Charge		
(In Accordance with AASB 9 Financial Instruments)		
New and increased provisions (net of releases)	213,998	-
Write-backs of specific provisions	-	-
Recoveries of specific provisions	-	-
	213,998	-
Total Charge to Profit of Loss	213,998	-

(b) Movement in Allowance for Impairment
(In Accordance with AASB 9 Financial Instruments)

	Stage 1	Stage 2	Stage 3		Total
	12-Mth Expected Credit Loss (ECL)	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Lifetime ECL Credit Impaired	
	Collective Provision	Collective Provision	Collective Provision	Specific Provision	
	\$	\$	\$	\$	\$
Balance at 1 July 2018	1,187,651	-	-	-	1,187,651
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	-	-	-	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(368,008)	368,008	-	-	-
Transferred to Lifetime ECL credit impaired - collective provision	-	-	-	-	-
Transferred to Lifetime ECL credit impaired - specific provision	-	-	-	-	-
New and increased provisions (net of repayments)	582,006	-	-	-	582,006
Write-backs of specific provisions	-	-	-	-	-
Write-offs from specific provisions	-	-	-	-	-
Balance at 1 July 2019	1,401,649	368,008	-	-	1,769,657

Although collective provisions are recognised by the Fund, the Fund is a contributory fund and as such, any actual credit losses for loans are borne by the Unitholders that funded the particular loans only.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 9 - OTHER ASSETS		
Application Fees to Responsible Entity Paid in Advanced	1,155,129	1,439,458
Total Other Assets	<u>1,155,129</u>	<u>1,439,458</u>

NOTE 10 - TRADE AND OTHER PAYABLES

Distributions Payable	444,425	398,957
Payables to the Responsible Entity:		
GST Facility Fee Payable	77,713	82,002
Application Fees Payable	298,510	388,339
Management Fee Payable	252,785	104,958
Release Fee Payable	990	495
Default Interest Payable	217,346	14,311
Advances from AML	516,197	-
Total Trade and Other Payables	<u>1,807,966</u>	<u>989,062</u>

NOTE 11 - OTHER LIABILITIES

Application Fees Received in Advance	1,155,129	1,439,458
Total Other Liabilities	<u>1,155,129</u>	<u>1,439,458</u>

NOTE 12 - UNITHOLDERS FUNDS

(a) Unitholders Funds Comprises

Funds Received and Invested in a Mortgage	100,888,963	87,582,390
Funds Received but not yet Invested in a Mortgage	301,517	1,917,004
Less: Allowance for Impairment	<u>(1,401,649)</u>	-
Total Unitholders Funds	<u>99,788,831</u>	<u>89,499,394</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.

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12 - UNITHOLDERS FUNDS (CONT'D)

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.

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 of the Responsible Entity ensures that the overall risk management strategy is in line with this objective.

NOTE 13 - SEGMENT REPORTING

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

NOTE 14 - EVENTS AFTER THE BALANCE SHEET DATE

Since 30 June 2019, 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 262

This loan was in default as at 30th June 2019 as the Borrower was unable to meet interest payments from May 2019. The Assured Interest Program has been applied to this loan. The survey plan has encountered lengthy delays in registration due to additional requirements from Qld Urban Utilities (QUU) and Ipswich City Council. The Directors understand that all works have been completed, QUU has issued their final completion certificate, and now await the sealing of the plan which has been lodged with Council. The Borrower has provided information regarding sales which will be sufficient to repay the loan in full.

Loan 265

This loan was in default as at 30th June 2019 as the Borrower was unable to meet interest payments from December 2018. The Assured Interest Program has been applied to this loan. The existing mortgaged property consists of ten (10) existing residential lots and a balance of land area for which the Directors need to register a Plan of Subdivision, which will provide a further seven (7) residential lots, two (2) super lots suitable for a large townhouse development and one (1) lot which the Government is currently negotiating a resumption for rail purposes.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 14 - EVENTS AFTER THE BALANCE SHEET DATE (CONT'D)

Loan 265 (Cont'd)

Delays have occurred regarding the issuing of final certificates by Ipswich City Council and QUU. Uncompleted works have been attended to and completed and the QUU certificate has been issued and sealing of the plan is imminent.

Loan 283

This loan was in default as at 30th June 2019 as the borrower was unable to meet interest payments in April 2019. The Assured Interest Program has been applied to this loan. The Borrower has subsequently repaid this loan in full with all interest and outlays being fully recovered.

Loan 288

This loan was in default as at 30th June 2019 as the borrower was unable to meet interest payments in April 2019. The Assured Interest Program has been applied to this loan. The Directors issued Notices of Exercise Power of Sale in order to sell the property. However, the Borrower has subsequently repaid this loan in full with all interest and outlays being fully recovered.

Loan 289

This loan was in technical default as at 30th June 2019 as the loan has past its maturity date of 13th June 2019. Interest has been paid at all times by the Borrower. The Directors are awaiting registration of the Plan and a number of settlements are to happen prior to reducing the loan and/or approving the rollover/extension of the loan for a further 12 months.

Loan 303

This loan went into 'default' on 10 August 2019 as the Borrower failed to pay interest. Notices of Exercise of Power of Sale are currently being issued. The Assured Interest Program is currently being applied to this loan. The site has now reached 'on maintenance' with plan sealing to commence shortly after.

NOTE 15 - RELATED PARTY DISCLOSURES

The Fund's related parties are as follows:

(a) Responsible Entity

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

(b) Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, including any director (whether executive or otherwise) of the parent i.e. the responsible entity, is considered key management personnel of the Fund.

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15 - RELATED PARTY DISCLOSURES (CONT'D)

(b) Key Management Personnel (Cont'd)

The following Directors of the Responsible Entity were in office during the year and up to the date of the report:

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

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

(c) Other Related Parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively, with their close family members. Other related parties also include any entities controlled, jointly controlled or significantly influenced by the responsible entity and any entities that, together with the responsible entity, are subject to common control by another

(d) Transactions and Outstanding Balances with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (i.e. at arm's length) unless the terms and conditions disclosed below specifically indicate otherwise. The following transactions occurred with related parties:

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.

Compensation of Key Management Personnel

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:

	2019	2018
	\$	\$
Short-Term Benefits - Salary	382,740	371,701
Post Employment Benefits - Superannuation	35,790	34,741
Total Remuneration	<u>418,530</u>	<u>406,442</u>

ASSURED MORTGAGE FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15 - RELATED PARTY DISCLOSURES (CONT'D)

(d) Transactions and Outstanding Balances with Related Parties

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:

	2019	2018
	\$	\$
Application Fees ¹	1,773,267	1,577,084
Management Fee ²	2,212,601	1,636,589
Assured Interest Program Facility Fees ³	215,297	260,864
Default Interest ⁴	407,837	66,119
Release Fees	101,885	79,335
Total Fees Paid to the Responsible Entity	4,710,887	3,619,991

¹ Application fees of up to 2.00% of the proposed loan amount are charged in order to compensate the Responsible Entity for due diligence work performed on loan proposals. These fees are only paid to the Responsible Entity if paid to the Fund by the Borrower. Application fees for 2019 were up to 2.00% (2018: 2.00%).

² The Responsible Entity is entitled to receive a monthly management fee of the funds invested by Unitholders, which have been invested in a mortgage, equal to the difference between the interest rate to be charged to the Borrower and the distribution rate to be paid to the Unitholder, as per the Fund's Product Disclosure Statement. These fees are only paid to the Responsible Entity if paid to the Fund by the Borrower. Management fees for 2019 were 2.50% (2018: 2.00% and 2.50%).

If Unitholders funds have been received but have not been invested in a mortgage, the Responsible Entity is only entitled to a management fee of 0.20% (2018: 0.20%). The reduced management fees are paid on a monthly basis from interest received from financial institutions.

³ Under the Fund's Product Disclosure Statement, all GST refunds from the ATO are required to be paid to the Responsible Entity as facility fee for the provision of the Assured Interest Program.

⁴ 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% (2018: 4%). This fee is paid to the Responsible Entity by the Fund, only upon payment from the Borrower of the higher rate of interest

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15 - RELATED PARTY DISCLOSURES (CONT'D)

Assured Interest Paid by the Responsible Entity

The following amount was received by the Fund from the Responsible Entity for the financial year under the Assured Interest Program:

	2019	2018
	\$	\$
Assured Interest Payments	<u>804,065</u>	<u>108,816</u>

Should a Borrower cease to pay interest on a loan, the Responsible Entity pays the Unitholder the interest due by the Borrower under the Assured Interest Program.

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

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. Offers of investment are made to related parties at the same time and in the same format as for all existing unitholders and any potential

	2019	2018
	\$	\$
Investments Placed by Related Parties During the Year	3,808,650	3,258,225
Redemptions Paid to Related Parties During the Year	3,732,210	2,161,499
Investments in the Scheme at Balance Date	1,543,098	1,466,658
Distributions Received by Related Parties from the Scheme	105,986	35,231

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
FOR THE YEAR ENDED 30 JUNE 2019

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. No sensitivity analysis has been performed as Loans Receivables and Unitholders Funds are on fixed interest terms.

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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.

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.

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

ASSURED MORTGAGE FUND
ARSN 089 809 067
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

Financial Asset and Financial Liability Maturity Analysis

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 below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Due to the non-pooled contributory nature of the Fund, monetary assets and liabilities do not have differing maturity profiles depending on the contractual term and in the case of loans receivable, the repayment amount and frequency.

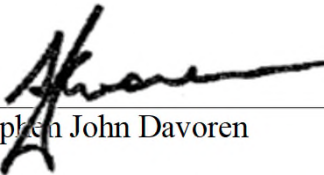
30 June 2019						
	1-3 Months	3-6 Months	6-12 Months	1-3 Years	No Maturity	Total
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	12,108,578	12,108,578
Interest and Other Receivables	1,730,023	-	-	-	-	1,730,023
Loans Receivable	3,576,538	24,754,473	49,184,040	11,567,081	-	89,082,132
On Balance Sheet	5,306,561	24,754,473	49,184,040	11,567,081	12,108,578	102,920,733
Undrawn Commitments Note 7(b)	-	-	-	-	30,944,793	30,944,793
Total Financial Assets	5,306,561	24,754,473	49,184,040	11,567,081	43,053,371	133,865,526
Financial Liabilities						
Trade and Other Payables	1,807,966	-	-	-	-	1,807,966
Unitholders Funds	26,081,202	25,520,508	42,973,235	11,691,120	301,517	106,567,582
Total Financial Liabilities	27,889,168	25,520,508	42,973,235	11,691,120	301,517	108,375,548
30 June 2018						
	1-3 Months	3-6 Months	6-12 Months	1-3 Years	No Maturity	Total
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	7,264,501	7,264,501
Interest and Other Receivables	906,365	-	-	-	-	906,365
Loans Receivable	11,019,298	19,481,625	29,201,722	22,532,943	-	82,235,588
On Balance Sheet	11,925,663	19,481,625	29,201,722	22,532,943	7,264,501	90,406,454
Undrawn Commitments Note 7(b)	-	-	-	-	39,557,997	39,557,997
Total Financial Assets	11,925,663	19,481,625	29,201,722	22,532,943	46,822,498	129,964,451
Financial Liabilities						
Trade and Other Payables	989,062	-	-	-	-	989,062
Unitholders Funds	16,126,347	18,768,437	32,812,545	25,965,856	1,917,004	95,590,189
Total Financial Liabilities	17,115,409	18,768,437	32,812,545	25,965,856	1,917,004	96,579,251

ASSURED MORTGAGE FUND
ARSN 089 809 067
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2019

In accordance with a resolution of the Directors, the Directors of the Responsible Entity declare that:

- (a) The financial statements and notes of Assured Mortgage Fund as set out on page 7 to 30 are in accordance with the *Corporations Act 2001* and:
 - (i) Give a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
 - (ii) Comply 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.

On behalf of the Directors of the Responsible Entity:



Stephen John Davoren (Director)

Dated at Mermaid Beach this 13th day of September 2019.



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 2019, the statement of profit or loss and comprehensive income, the statement of changes in net assets 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 2019 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 the Fund, 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 2019, 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.

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.

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Responsibilities of the Directors for the Financial Report

The directors of the Fund 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**

Per:

A handwritten signature in black ink, which appears to read 'K R Franey', is written over a horizontal dotted line.

K R FRANEY (Partner)

Dated at Lismore this 13th day of September 2019.