# The Pooled Mortgage Managed Investment Scheme
# ARSN 095 540 597

## ANNUAL FINANCIAL REPORT
## for the year ended 30 June 2020

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# Responsible Entity's Directors' Report

The Directors of Tidswell Financial Services Ltd (ABN 55 010 810 607), the Responsible Entity of The Pooled Mortgage Managed Investment Scheme (**the Scheme**), submit their report for the Scheme, the annual financial statements and the auditor's report for the year ended 30 June 2020.

**RESPONSIBLE ENTITY**

The registered office and principal place of business of the Responsible Entity and the Scheme is 50 Hindmarsh Square, Adelaide SA 5000.

The Directors of the Responsible Entity during or since the end of the financial year are:

| | | |
|---|---|---|
| Michael John Terlet AO | Non-Executive Director - Chairman | Appointed 19 April 1991 |
| Ronald Peter Beard | Executive Director | Appointed 20 August 2012 |
| Fiona McNabb | Non-Executive Director | Appointed 29 September 2017 |
| Stephen Miller | Non-Executive Director | Appointed 29 September 2017<br>Resigned 25 February 2020 |
| Andrew Peterson | Executive Director | Appointed 20 March 2018 |

**PRINCIPAL ACTIVITIES**

The Pooled Mortgage Managed Investment Scheme is an authorised investment of The Tidswell Investment Plan (**the Plan**) and has been established as a separate registered Managed Investment Scheme pursuant to the requirements of the Australian Securities and Investments Commission (**ASIC**) and is domiciled in Australia.

The investment objective of the Scheme was to provide income from a diversified range of mortgage loans. The Scheme invested in loans that are secured by first mortgages registered with the relevant state land titles office over the security property offered for the loan as well as indirect investments in registered first mortgages and other managed investment schemes.

The Scheme ceased to be liquid pursuant to the Corporation Act on 2 March 2020 (Liquidity Date). Following this event, the Responsible Entity has reviewed the Scheme whether it can continue to accomplish its purpose and meet its objectives and determined that the Scheme is to be terminated. It is anticipated that the winding up process will take around 24 months.

The Scheme did not have any employees during the year.

**REVIEW AND RESULTS OF OPERATION**

The Scheme as a whole returned 4.22% (2019: 5.96%) for the financial year ended 30 June 2020. This rate is calculated as the average of the monthly net incomes of the Scheme expressed as a percentage of the monthly total average daily balances of all participants' accounts. This represents both the investment performance of the Scheme, and the distribution paid and payable to the Underlying Participants.

## DISTRIBUTIONS

Distributions paid or payable by the Scheme since the end of the previous financial year were:

| | | ($) |
|---|---|---|
| A distribution payable and provided for in last year's report | Paid in July 2019 | 54,739 |
| *In respect to the current financial year:* | | |
| Distribution for the period ended 31 July 2019 | | 280,811 |
| Distribution for the period ended 31 August 2019 | | 261,580 |
| Distribution for the period ended 30 September 2019 | | 210,000 |
| Distribution for the period ended 31 October 2019 | | 149,101 |
| Distribution for the period ended 30 November 2019 | | 148,690 |
| Distribution for the period ended 31 December 2019 | | 141,461 |
| Distribution for the period ended 31 January 2020 | | 149,026 |
| Distribution for the period ended 29 February 2020 | | 123,287 |
| Distribution for the period ended 31 March 2020 | | 123,096 |
| Distribution for the period ended 30 April 2020 | | 119,013 |
| Distribution for the period ended 31 May 2020 | | 122,792 |
| Distribution for the period ended 30 June 2020 | | 118,822 |
| **Total** | | **1,947,679** |

This represents an annualised accounting distribution of 4.22% (2019: 5.96%) to underlying participants entitled to receive all distributions made during the year.

## UNITS ON ISSUE

Underlying Participants are not allocated Scheme units. Entitlements are instead calculated using each participant holding as a proportion of total participant holdings. Contributions to the Scheme during the financial year totalled $4,524,597 (2019: $24,927,085), while withdrawals totalled - $30,834,961 (2019: $32,017,771). The movement in undistributed profit for the year ended 30 June 2020 was $Nil (2019: $Nil). The closing balance of the Underlying Participants accounts as at 30 June 2020 was $36,217,220 (2019: $62,527,584). The Scheme had total assets valued at $37,788,957as at 30 June 2020 (2019: $65,275,509).

The basis for valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Scheme ceased to be liquid pursuant to the Corporation Act on 2 March 2020 (Liquidity Date). Following this event, the Responsible Entity has determined that the Scheme will be terminated.

## INTERESTS OF THE RESPONSIBLE ENTITY

Information pertaining to fees paid to Tidswell Financial Services Ltd (**TFSL**) and its associates out of Scheme property, and their holdings is contained in Note 10 to the financial statements.

## LIKELY DEVELOPMENTS

The main purpose of the Scheme was to provide regular income and capital stability from a diversified range of first mortgage loans and the Responsible Entity determined the Scheme no longer has the capacity to source quality new mortgages and agreed to terminate the Scheme. It is anticipated that the winding up process will take around 24 months and the Responsible Entity has taken steps to actively realise the Scheme's assets. The capital will be returned to Participants on a pro-rata basis by way of interim distributions.

The Coronavirus (COVID-19) may increase volatility of returns.

**ENVIRONMENTAL REGULATION**

The Scheme's operations are not subject to any significant environmental regulation under Commonwealth, State or Territory legislation.

**EVENTS SUBSEQUENT TO REPORTING DATE**

In July 2020, the Board of the Responsible Entity determined that due to no longer having the capacity to source quality new mortgages and due to heightened withdrawal requests the Scheme will be terminated. It has determined that withdrawal requests received prior to 2 March 2020 (Liquidity Date) will be paid as Priority Payments.

Once the Priority Payments are completed any available funds will be returned as capital to remaining Participants on a pro-rata basis.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2020 or on the results and cash flows of the Fund for the reporting period ended on that date.

**INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS OR AUDITORS**

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

The Scheme has not indemnified any auditor of the Scheme.

During the financial year the Responsible Entity paid premiums in respect of its officers for professional indemnity insurance contracts for the year ended 30 June 2020. The Responsible Entity has paid or agreed to pay in respect of the Scheme, premiums in respect of such insurance contracts for the year ended 30 June 2020. The Scheme reimbursed the Responsible Entity a proportion of the professional indemnity insurance premiums based on the assets of schemes managed by the Responsible Entity. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the directors or officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid have not been included as such disclosure is prohibited under the terms of the contracts.

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead Auditor's Independence Declaration is set out on page 6 and forms part of the directors' report for the year ended 30 June 2020.

Signed in accordance with a resolution of the directors of Tidswell Financial Services Ltd:

**TIDSWELL FINANCIAL SERVICES LTD**

Fiona McNabb
**Director**

30 September 2020

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

**DECLARATION OF INDEPENDENCE BY JAMES DIXON TO THE DIRECTORS OF TIDSWELL FINANCIAL SERVICES LIMITED AS THE RESPONSIBLE ENTITY FOR THE POOLED MANAGED MORTGAGE MANAGED INVESTMENT SCHEME**

As lead auditor of The Pooled Mortgage Managed Investment Scheme for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

James Dixon
Director

**BDO Audit Pty Ltd**

Melbourne, 30 September 2020

# Statement of Profit or Loss and Other Comprehensive Income

**For the year ended 30 June 2020**

| | Note | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|---|
| **Revenue** | | | |
| Interest | 2 | 3,710,467 | 4,962,777 |
| Other Mortgage Loan Related Income | | 374,984 | 870,237 |
| **Total revenue** | | **4,085,451** | **5,833,014** |
| **Expenses** | | | |
| Responsible Entity Fees | | 256,690 | 481,347 |
| Mortgage Loan Related Expenses | | 378,229 | 870,340 |
| Legal Fees | | 32,277 | 6,167 |
| General Administration Expenses | | 26,375 | 75,661 |
| Custodian Fees | | 5,640 | 5,866 |
| Interest Paid | 6 | 43,751 | 95,890 |
| Impairment Charges | 11 | 1,394,811 | 551,292 |
| **Total expenses** | | **2,137,773** | **2,086,563** |
| **Profit from operating activities** | | **1,947,678** | **3,746,451** |
| **Finance costs attributable to participants** | | | |
| Distributions to Participants | 3 | 1,947,678 | 3,566,767 |
| **Total finance costs** | | **1,947,678** | **3,566,767** |
| **Net Profit / (Loss) for the year** | | **-** | **179,684** |
| Other comprehensive income | | **-** | **-** |
| **Total other comprehensive income for the year** | | **-** | **-** |

The accompanying notes form part of these financial statements.

# Statement of Financial Position

**As at 30 June 2020**

| | Note | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|---|
| **Assets** | | | |
| Cash and Cash Equivalents | 9(a) | 9,956,950 | 8,952,320 |
| Trade and Other Receivables | 7 | 307,451 | 393,532 |
| Mortgage Loans | 5 | 27,524,557 | 55,929,657 |
| **Total assets** | | **37,788,958** | **65,275,509** |
| **Liabilities** | | | |
| Trade and Other Payables | 8 | 132,769 | 310,795 |
| Mortgage Offset Accounts | | 1,438,969 | 2,437,130 |
| **Total liabilities (excluding net assets attributable to Participants' Accounts)** | | **1,571,738** | **2,747,925** |
| **Net assets attributable to Participants' Accounts - liability** | 4 | **36,217,220** | **62,527,584** |

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

**For the year ended 30 June 2020**

The Scheme's net assets attributable to Scheme Participants are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such, the Scheme has no equity and no items of changes in equity have been presented for the current or comparative year.

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

**For the year ended 30 June 2020**

| | Note | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Reduced Input Tax Credits Received | | 98,456 | 115,504 |
| Interest Received | | 3,254,632 | 4,370,129 |
| Other Income Received | | 694,782 | 885,989 |
| Administration Expenses | | (630,145) | (1,061,563) |
| Responsible Entity Fees Paid | | (255,718) | (523,400) |
| Interest Paid | 6 | (43,751) | (95,890) |
| **Net cash inflow from operating activities** | 9(b) | **3,118,256** | **3,690,769** |
| **Cash Flows from Investing Activities** | | | |
| Funds (Invested) in First Mortgage Loans | | (25,610,296) | (42,803,421) |
| Funds Redeemed from First Mortgage Loans | | 52,807,611 | 49,169,252 |
| Movement in Mortgage Offset Accounts | | (998,160) | (1,143,964) |
| **Net cash inflow from investing activities** | | **26,199,155** | **5,221,867** |
| **Cash Flows from Financing Activities** | | | |
| Members' Applications | | 4,524,597 | 24,927,085 |
| Members' Redemptions | | (30,834,961) | (32,017,771) |
| Distributions Paid | | (2,002,417) | (3,926,869) |
| **Net Cash (Used in) Financing Activities** | | **(28,312,781)** | **(11,017,555)** |
| Net (decrease)/increase in cash and cash equivalents | | 1,004,630 | (2,104,919) |
| Cash at Beginning of the Financial Year | | 8,952,320 | 11,057,239 |
| **Cash at End of the Financial Year** | 9(a) | **9,956,950** | **8,952,320** |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

**For the year ended 30 June 2020**

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The Pooled Mortgage Managed Investment Scheme (**the Scheme**) is a registered managed investment scheme under the *Corporations Act 2001*. The Scheme is a for-profit entity. The financial statements of the Scheme are for the year ended 30 June 2020.

These financial statements were authorised for issue by the Board of Directors of the Responsible Entity on 30 September 2020.

### Basis of Preparation

*Statement of Compliance*

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

Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The Responsible Entity has the intent to wind up the Scheme. Accordingly, the financial statements of the Scheme have been prepared on a wind-up basis of reporting rather than a going concern basis. In doing so, assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

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

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

### (a) Financial Instruments

### Recognition and Initial Measurement

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

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

**Expected credit losses (ECL)**

*i. Loans and receivables*

Mortgage Loans, Managed Funds (invested in Direct Mortgages) and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

From 1 July 2019, the Fund assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends whether there has been a significant increase in credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset

If evidence of impairment exists, an impairment loss is recognised in the profit or loss as the difference between the asset's carrying amount and the present value of estimated discounted future cash flows.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

*ii. Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost.

**Impairment**

At each reporting date, the Responsible Entity assesses whether there is objective evidence that a financial instrument has been impaired. Where mortgage loans are deemed non-accrual, recoverable amount calculations are prepared and analysed to determine if impairment is required. Impairment losses are recognised in the profit or loss.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

**Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the scheme has a legal right to offset the amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under AASBs, e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit and loss.

### (b) Impairment of Non-Financial Assets

At each reporting date, the Responsible Entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Responsible Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### (c) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash includes cash and at call deposits with banks, and investment in money market instruments that are readily convertible to cash on hand at the Responsible Entity's option and are subject to insignificant risk of changes in value.

### (d) Income Tax

Under current legislation the Scheme is not subject to income tax as the Underlying Unitholders are presently entitled to the taxable income of the Scheme. Any liability for income tax must be taken up by Unitholders as part of their personal liability for tax.

### (e) Income and Expenses

#### Income

Interest is recognised as it accrues taking into account the interest rates applicable to the financial assets.

Other Mortgage Loan Related Income is recognised when the corresponding Mortgage Loan Related Expense is brought to account on an accruals basis by the Scheme.

#### Expenses

Expenses are brought to account on an accruals basis.

Mortgage Loan Related Expenses are brought to account on an accruals basis.

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

When a mortgage loan is classified as non-accrual, interest ceases to be recognised on an accruals basis, as reasonable doubt exists as to the collectability of principal and interest. Interest charged on non-accrual loans in the current reporting period is reversed against income. Cash receipts in relation to non-accrual loans are recognised as interest income to the extent that the receipts represent unaccrued interest except where there is an agreement to the contrary with the borrower, or are scheduled principal repayments.

In accordance with the Scheme Constitution and PDS, Tidswell Financial Services Ltd (**TFSL**) receives a management fee as the Single Responsible Entity. This fee is 0.8% (2019: 0.8%) per annum of the Underlying Participant's Invested Funds calculated monthly. No management fee has been charged to Participants since Liquidity Date, 2 March 2020.

The custodian of the Scheme, Certes CT Pty Ltd (former Sargon CT Pty Ltd), receives a fee for its services which is disclosed in the Profit or Loss.

### (f) Participants' Accounts and Distributions

**Participants' Accounts**

Investors in the Scheme have the right to make a request to redeem funds from the Scheme. This right to redeem gives rise to Participants' Accounts being classified as a financial liability.

**Distributions**

The Scheme distributes its distributable income, in accordance with the Scheme's Constitution, to participants in cash. The distributions are recognised in Profit or Loss, under finance costs, as Distributions to Participants.

### (g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (**ATO**). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows included in the Statement of Cash Flows are inclusive of GST. GST cash flow components arising from investing and financing activities which are payable to, or recoverable from, the ATO are classified as cash flows from operating activities.

### (h) Trade and Other Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at reporting date. The distribution amount payable to Participants as at reporting date is recognised separately on the Statement of Financial Position as Participants are presently entitled to the distributable income as at 30 June 2020 under the Scheme's Constitution.

### (i) Trade and Other Receivables

Accounts Receivable includes GST recoverable from the ATO and other sundry amounts owing to the Scheme. Income Receivable includes accrued distribution income and accrued income on interest bearing investments, calculated as the amount at the end of the reporting period from the date of the last payment in accordance with the income recognition policy.

### (j) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into these financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Scheme.

**Key Judgements**

Trade and other receivables include income receivable on mortgage loan investments. Where there is uncertainty in relation to the receipt of this income, judgements are made as to the recoverability of this income. If deemed to be impaired, receivables are reduced by the amount of the impairment and a provision for impairment expense is recognised in the Profit or Loss.

Mortgage loans are subject to credit assessments and security valuations. Valuations are based on fair current market valuation. Where mortgage loan assets are deemed non-accrual, judgements are made as to the recoverability of the loan by assessing the value and future income potential of the security via net present value calculations. Impairment losses are recognised in the Profit or Loss.

### (k) Comparative Figures

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

### (l) Accounting standards issued and adopted during the financial year

#### a. New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

#### b. New and amended standards adopted by the Fund

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

## 2. INTEREST INCOME

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| Cash and Cash Equivalents | 56,470 | 84,298 |
| Mortgage Loans | 3,653,997 | 4,878,479 |
| Managed Funds | - | - |
| **Total** | **3,710,467** | **4,962,777** |

## 3. DISTRIBUTIONS

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| Distribution Paid – July | 280,811 | 187,877 |
| Distribution Paid – August | 261,580 | 327,291 |
| Distribution Paid – September | 210,000 | 349,210 |
| Distribution Paid – October | 149,101 | 365,850 |
| Distribution Paid – November | 148,690 | 366,263 |
| Distribution Paid – December | 141,461 | 370,581 |
| Distribution Paid – January | 149,026 | 281,720 |
| Distribution Paid – February | 123,287 | 298,543 |
| Distribution Paid – March | 123,096 | 304,555 |
| Distribution Paid – April | 119,013 | 322,637 |
| Distribution Paid – May | 122,792 | 337,501 |
| Distribution Paid – June | 118,822 | 54,739 |
| **Total** | **1,947,679** | **3,566,767** |

This represents an annualised accounting distribution of 4.22% (2019: 5.96%) to underlying participants entitled to receive all distributions made during the year.

## 4. PARTICIPANTS' ACCOUNTS

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| **Opening balance** | **62,527,584** | **69,438,586** |
| Applications | 4,524,597 | 24,927,085 |
| Redemptions | (30,834,961) | (32,017,771) |
| Undistributed Loss | - | 179,684 |
| **Closing balance of Participants' Accounts** | **36,217,220** | **62,527,584** |

### Capital Risk Management

The Scheme considers its capital to be Participants' Accounts. The Scheme manages its net assets attributable to Participants' Accounts as capital, notwithstanding net assets attributable to Participants' Accounts are classified as a liability.

Applications and redemptions are reviewed relative to the liquidity of the scheme's underlying assets by the Responsible Entity. Under the terms of the Scheme's constitution, the Responsible Entity has the discretion to defer or adjust a redemption if the exercise of such discretion is in the best interests of participants.

All investments in the Scheme are of dollar value (non-unitised), are of the same class, and therefore carry equal rights.

As at the reporting date, there were $10,695,930 of withdrawal requests classified as Priority Payments which have now been paid. The remaining Participants will receive their capital through distributions on a pro-rata basis during the wind up process.

## 5. MORTGAGE LOANS

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| **Opening balance** | 55,929,657 | 61,914,665 |
| New Mortgage Loans | 25,610,295 | 42,803,421 |
| Mortgage Loans Repaid | (52,689,678) | (48,631,197) |
| Allowance for Impairment (note (a)) | (1,325,717) | (157,232) |
| **Closing balance** | **27,524,557** | **55,929,657** |

(a) Movement in Allowance for Impairment:

| | | |
|---|---|---|
| Opening Allowance for Impairment | 157,232 | 563,281 |
| Additions | 1,325,717 | 157,232 |
| Amounts Written off | (157,232) | (563,281) |
| **Closing Allowance for Impairment** | **1,325,717** | **157,232** |

## 6. INTEREST PAID

During the period, to assist with cashflow, the Scheme has withdrawn funds from the Standby Advance Facility held by Tidswell Master Superannuation Plan (TMSP) and paid in interest amount of $43,751 (2019: $95,890). There was no interest payable to TMSP at year end.

## 7. TRADE AND OTHER RECEIVABLES

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| Interest Arrears | 247,892 | 595,874 |
| Allowance for Impairment (note (b)) | (69,094) | (580,742) |
| Sundry Receivable | 128,653 | 378,340 |
| **Total Trade and Other Receivables** | **307,451** | **393,472** |

(a) Trade and other receivables relating to:

| | | |
|---|---|---|
| Non-Accrual Mortgage Loans | 15,829 | 70,260 |
| Accrual Mortgage Loans | 283,942 | 293,514 |
| Other | 7,680 | 29,758 |
| **Total Trade and Other Receivables** | **307,451** | **393,532** |

(b) Movement in Allowance for Impairment:

| | | |
|---|---|---|
| Opening Allowance for Impairment | 580,742 | 186,681 |
| Additions | 69,094 | 401,482 |
| Recoveries of Impaired receivables | - | (153) |
| Amounts Written off | (580,742) | (7,268) |
| **Closing Allowance for Impairment** | **69,094** | **580,742** |

## 8. TRADE AND OTHER PAYABLES

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| Distributions Payable | - | 54,739 |
| Payables due to Responsible Entity | 2,140 | 241,811 |
| Other Payables | 130,629 | 14,245 |
| **Total Trade and Other Payables** | **132,769** | **310,795** |

## 9. CASH FLOW INFORMATION

(a) Reconciliation of cash. For the purposes of the Statement of Cash Flows cash includes cash on hand and at bank

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| Cash at Bank | 9,956,950 | 8,952,320 |
| **Total Cash and Cash Equivalents** | **9,956,950** | **8,952,320** |

(b) Reconciliation of Cash Flow from Operations with Net Profit

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| Profit from Operating Activities | 1,947,678 | 3,746,451 |
| **Non-Cash Flows in Profit** | | |
| Increase/(decrease) in Changes in Provision for Impairment | 645,113 | (51,288) |
| **Changes in Assets and Liabilities** | | |
| Decrease/(increase) in GST Receivable | 35,091 | 13,317 |
| Increase/(decrease) in Payables | (123,287) | (43,397) |
| Decrease/(increase) in Receivables | 613,661 | 25,685 |
| **Net Cash provided by Operating Activities** | **3,118,256** | **3,690,769** |

(c) Non-cash financing and investment activities

As all income is distributed to Underlying Participants no income is reinvested into the Scheme via a distribution reinvestment plan.

## 10. RELATED PARTY TRANSACTIONS

The Responsible Entity of the Scheme is Tidswell Financial Services Ltd ABN 55 010 810 607 (**TFSL**) whose ultimate holding company is Pacific Infrastructure Partners Pty Ltd (ACN 640 126 585).

**Key Management Personnel**

(a) The Scheme does not employ personnel in its own right. However the Responsible Entity does manage the activities of the Scheme and this is considered to be the Key Management Personnel. The directors of the Responsible Entity are Key Management Personnel however no amounts are paid by the Scheme directly to the directors of the Responsible Entity. Fees paid by the Scheme to the Responsible Entity are disclosed at (b) below.

**Related Party Remuneration**

(b) Responsible Entity Fees

Fees paid by the Scheme to the Responsible Entity amounted to $256,690 (2019: $481,347). Responsible Entity fees are calculated monthly in accordance with the Constitution based on the net value of the Underlying Participants' Invested Funds on the last day of month. The Responsible Entity is also entitled to receive an investment charge in accordance with the Constitution. Responsible Entity fees charged for the period are recognised in the Profit or Loss. No Responsible Entity has been charged since Liquidity Date, 2 March 2020.

(c) Other General Administration Expenses

Other General Administration Expenses incurred by the Responsible Entity are reimbursed by the Scheme in accordance with the provisions of the Constitution. These expenses amounted to $378,229 (2019: $757,056) and are recognised in the Profit or Loss.

**Other Related Party Transactions**

(d) The following transactions occurred between the related entities:

As all underlying participants of the Scheme must first be a participant of the Plan, at the reporting date the Plan had an investment of $36,217,220 (2019: $62,527,584) in the Scheme which is the total participants' accounts disclosed in the Statement of Financial Position.

From time to time directors of TFSL, or their director related entities, may invest or withdraw from the Scheme (as participants of the Plan). These transactions are on the same terms and conditions as those entered into by all other Scheme participants. Details of holdings in the Scheme by TFSL and its related parties through their investment in the Plan are set out below.

| Underlying Participant | Participant Investment ($) | Interest Held (%) | New Investments ($) | Redemptions ($) | Distributions ($) |
|---|---|---|---|---|---|
| **30 June 2020** | | | | | |
| Tidswell Master Superannuation Plan | 6,168,021 | 17.03 | 399,686 | 6,245,499 | 373,578 |
| Mantra Hindmarsh Square | 511,383 | 1.41 | - | | 21,515 |
| Directors and their affiliates | - | - | - | 476,700 | 4,437 |
| **Total** | **6,679,404** | **18.44** | **399,686** | **6,722,199** | **399,530** |
| **30 June 2019** | | | | | |
| Tidswell Master Superannuation Plan | 12,013,834 | 19.21 | 4,227,350 | 10,061,516 | 756,374 |
| The Commonwealth House Unit Trust | - | - | - | 400,000 | 22,527 |
| Mantra Hindmarsh Square | 511,383 | 0.82 | 51,000 | 400,000 | 31,061 |
| Directors and their affiliates | 476,700 | 0.76 | 20,600 | - | 27,372 |
| **Total** | **13,001,917** | **20.79** | **4,298,950** | **10,861,516** | **837,334** |

(e) Accounts Payable

The aggregate amount of payable to other related parties by the Scheme at reporting date:

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| Responsible Entity | 2,140 | 241,811 |
| Custodian | - | 2,683 |

These amounts are included in creditors and accruals.

(f) TFSL also receives remuneration on a fee for service basis for various mortgage administration services on normal commercial terms. These fees are levied directly against the borrowers not the Scheme.

## 11. IMPAIRMENT LOSS

AASB 9 replaces the "incurred loss" model in AASB 139 with an 'expected credit loss' (ECL) model. The incurred loss model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Through AASB 9, credit losses are recognised earlier than it would under AASB 139.

Under AASB 9, loss allowances are measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

During the year the Scheme has recognised a provision for impairment of $1,394,811 (2019: $551,292) which has been recognised as an impairment expense in the profit or loss. $69,094 (2019: $394,060) of the total impairment is a provision for the impairment of receivables expense and relates to interest receivable from first mortgage investments and $1,325,717 (2019: $157,232) is a provision for impairment of principal on first mortgage investments. The total allowance considered for impairment of receivables of $69,094 (2019: $580,742) and the total allowance impairment of principal of $1,325,717 (2019: $157,232) as at 30 June 2020.

## 12.FINANCIAL RISK MANAGEMENT

The Scheme maintains positions in a variety of non-derivative financial instruments as dictated by the Scheme's investment strategy. The Scheme's investment portfolio includes bank deposits, direct first mortgage investments and investments in managed investment schemes.

These investing activities expose the Scheme to various types of risk that are associated with the types of financial instruments and markets utilised. The main types of financial risk to which the Scheme is exposed are market risk, credit risk, liquidity risk and operational risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Board, which meets monthly, is responsible for developing and monitoring the risk management framework relating to the Scheme. This framework is established to identify, analyse and monitor Scheme related risks, and assess the adequacy of the procedures and controls put in place to mitigate them. Risk management policies and systems are reviewed regularly to ensure they reflect Scheme activities and changes to market conditions.

Monthly reports are provided to the Board on asset allocation, investment performance, mortgage default and arrears rates and mortgage security type breakdown.

The total of each category of financial instrument and other assets measured in accordance with the accounting policies to the financial statements are set out below:

| | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| **Financial and other assets** | | |
| Cash and cash equivalents | 9,956,950 | 8,952,320 |
| Investments | 27,524,557 | 55,929,657 |
| Trade and other receivables | 307,451 | 393,532 |
| **Total financial assets** | **37,788,958** | **65,275,509** |

| Financial liabilities | 30 June 2020 ($) | 30 June 2019 ($) |
|---|---|---|
| Trade and other payables | 132,769 | 310,795 |
| Mortgage offset accounts | 1,438,969 | 2,437,130 |
| Participants' accounts | 36,217,220 | 62,527,584 |
| **Total financial liabilities** | **37,788,957** | **65,275,509** |

The nature and extent of the financial instruments and other assets held at reporting date and the risk management policies employed by the Scheme are as follows:

### (a) Market Risk

Market risk embodies the potential for losses and gains and includes currency risk, interest rate risk and price risk. As the underlying security for the Scheme's mortgage investments is real property, this market can have an effect on the Scheme's assets if a claim on the security is required. The Responsible Entity has managed the Scheme's exposure to market risks in accordance with the investment strategy. Market risk is minimised by the selection of high quality service providers, prudent loan to valuation ratios (**LVR**) and short lending periods (generally up to 12 months). Current Board approved policy LVRs are currently set at 65% for residential security, 55% for commercial and 45% for rural unless full Board approval is given.

### Currency Risk

The Scheme does not currently invest in financial instruments denominated in currencies other than the measurement currency (Australian Dollars) and consequently is not exposed to currency risk.

### Interest Rate Risk

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its Participants. Some of these investments are fixed interest in nature and others are subject to interest rate risks and will fluctuate in accordance with movements in market interest rates.

The Scheme's exposure to interest rate movements on its investments was as follows:

| | Floating Interest Rate | | Fixed Interest Rate | | Non-interest Bearing | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2020 ($'000)** | **2019 ($'000)** | **2020 ($'000)** | **2019 ($'000)** | **2020 ($'000)** | **2019 ($'000)** | **2020 ($'000)** | **2019 ($'000)** |
| **Financial Assets** | | | | | | | | |
| Cash | 8,517 | 6,515 | - | - | 1,439 | 2,437 | 9,956 | 8,952 |
| Loans | - | - | 27,525 | 55,930 | - | - | 27,525 | 55,930 |
| Managed Funds | - | - | - | - | - | - | - | - |
| Receivables | - | - | - | - | 307 | 393 | 307 | 393 |
| **Total Financial Assets** | **8,517** | **6,515** | **27,525** | **55,930** | **1,746** | **2,830** | **37,789** | **65,275** |
| Weighted average interest rate | 1.75% | 1.75% | 9.77% | 9.77% | | | | |
| **Financial Liabilities** | | | | | | | | |
| Payables | - | - | - | - | 133 | 311 | 133 | 311 |
| Mortgage Offset | - | - | - | - | 1,439 | 2,437 | 1,439 | 2,437 |
| Participants' Account | - | - | - | - | 36,217 | 62,527 | 36,217 | 62,527 |
| **Total Financial Liabilities** | **-** | - | - | - | **37,789** | **65,275** | **37,789** | **65,275** |
| Weighted average interest rate | - | - | - | - | | | | |

The interest rates above provided interest income of $3,710,467 (2019: $4,962,777) which resulted in a rate of return for the scheme for the year ended 30 June 2020 of 4.22% (2019: 5.96%).

### Sensitivity Analysis

A 10% increase in the interest rates received on financial instruments would have increased the scheme return by 0.42% (2019: 0.60%). An equal change in the opposite direction would have decreased the scheme return by an equal opposite amount.

### Price Risk

Price Risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices. As all of the Scheme's financial instruments are carried at recoverable amount with any impairment recognised in the Profit or Loss, all changes in market conditions will directly affect Total Income. The mortgage investments held by the scheme are not directly exposed to price risk.

The scheme invests in unlisted managed investment schemes, which are valued at the redemption value as reported.

### (b) Credit Risk Exposures

**Debt Securities**

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted. At 30 June 2020 the following financial assets were exposed to credit risk: cash and cash equivalents, trade and other receivables, managed funds and mortgage loans.

Market prices generally incorporate credit assessments into valuations and the risk of loss is implicitly provided for in the carrying value of on Statement of Financial Position financial assets. The credit risk on financial assets of the Scheme, which have been recognised on the Statement of Financial Position, is the carrying amount as stated.

The Scheme holds collateral over the mortgage loans by a first mortgage registered with the relevant State Lands Titles Office over the security property. Current Board approved policy LVRs on security property are currently set at 65% for residential security, 55% for commercial and 45% for rural unless full Board approval is given.

Mortgage loans are subject to credit assessments and security valuations. Valuations are based on fair current market valuation. An operating manual sets out detailed procedures for lending and dealing with interest arrears and defaults. All loans during the period were approved as follows:

- Loans less than $2.0m and within policy to be approved by the Investment Delegation, being A Peterson and either R Beard or F McNabb
- Loans between $2.0m and $4.0m and within policy to be approved by the Credit Delegation
- Loans in excess of $4.0m and within policy to be reviewed by the Credit Delegation and if thought fit, recommended for approval to the Full Board

Loan performance is reported to the Board on a monthly basis along with a provisioning report. The risk of loss is implicitly provided for in the carrying value of financial assets.

The Scheme's financial assets exposed to credit risk were concentrated in the following types of securities:

| **Security Type** | **30 June 2020** | **30 June 2019** |
|---|---|---|
| Residential | 51.72% | 42.80% |
| Commercial | 6.90% | 1.10% |
| Rural | 0.00% | 0.00% |
| Construction & Development | 41.38% | 56.10% |
| Land Division | 0.00% | 0.00% |
| **Total** | **100.00%** | 100.00% |

Other than outlined above, there were no significant concentrations of credit risk by security type at 30 June 2020 and 30 June 2019.

As the Scheme is winding down no new loans have been entered into since December 2019.

**Non-Accrual Mortgage Loans Past Due - Impaired**

| **Loan Amount** | **Due Date** | **Collateral** | **Last Valuation Amount** | **Last Valuation Date** |
|---|---|---|---|---|
| **Year Ended 30 June 2020** | | | | |
| $2,500,000 | 10/09/2009 | Residential | $2,500,555 | 26/11/2019 |
| $3,330,817 | 10/12/2017 | Residential | $4,170,000 | 9/07/2019 |
| $569,000 | 10/05/2014 | Residential | $950,000 | 25/06/2019 |
| $510,483 | 10/09/2015 | Residential | $800,000 | 02/08/2019 |
| $805,450 | 30/05/2007 | Residential | $950,000 | 18/06/2019 |

| | | | | |
|---|---|---|---|---|
| **Year Ended 30 June 2019** | | | | |
| $3,180,000 | 10/09/2009 | Residential | $3,219,000 | 7/06/2018 |
| $3,830,317 | 10/12/2017 | Residential | $4,170,000 | 9/07/2018 |
| $569,000 | 10/05/2014 | Residential | $950,000 | 25/06/2018 |
| $646,700 | 10/09/2015 | Residential | $800,000 | 02/08/2018 |

**Non-Accrual Mortgage Loans Past Due Not Impaired**

There was no non-accrual mortgage loans past due not impaired at 30 June 2020 (2019:Nil).

**Accrual Loans Past Due Not Impaired**

| Loan Amount | Due Date | Collateral | Last Valuation Amount | Last Valuation Date |
|---|---|---|---|---|
| **Year Ended 30 June 2020** | | | | |
| $80,000 | 10/03/2017 | Residential | $435,000 | 26/09/2018 |
| $930,000 | 10/12/2019 | Residential | $1,550,000 | 15/11/2018 |
| $292,500 | 10/11/2018 | Residential | $450,000 | 15/08/2018 |
| $740,000 | 10/05/2019 | Residential | $1,150,000 | 3/10/2018 |
| $429,000 | 10/03/2020 | Construction & Development | $575,000 | 19/09/2019 |
| $606,000 | 10/01/2020 | Residential | $1,160,000 | 26/08/2018 |
| $1,066,000 | 10/05/2020 | Construction & Development | $1,780,000 | 23/10/2018 |
| $202,400 | 10/01/2020 | Residential | $1,130,000 | 31/01/2020 |
| **Year Ended 30 June 2019** | | | | |
| $2,025,000 | 10/05/2019 | Construction & Development | $3,120,000 | 04/01/2018 |
| $1,525,500 | 10/10/2018 | Residential | $3,260,000 | 29/09/2017 |
| $1,511,000 | 10/11/2018 | Residential | $2,865,000 | 02/08/2017 |
| $1,462,500 | 10/06/2017 | Residential | $2,100,000 | 10/03/2019 |
| $1,150,000 | 10/04/2019 | Residential | $2,400,000 | 30/10/2018 |
| $840,000 | 30/03/2009 | Residential | $950,000 | 18/06/2019 |
| $740,000 | 10/05/2019 | Residential | $1,150,000 | 03/10/2018 |
| $410,000 | 10/12/2018 | Commercial | $750,000 | 08/11/2017 |
| $350,000 | 10/05/2019 | Construction & Development | $3,660,000 | 06/11/2018 |
| $315,000 | 10/10/2018 | Residential | $495,000 | 01/03/2018 |
| $265,000 | 10/10/2018 | Residential | $450,000 | 16/08/2018 |
| $216,500 | 10/11/2018 | Residential | $450,000 | 16/08/2018 |
| $187,000 | 10/03/2017 | Residential | $390,000 | 16/08/2016 |
| $178,000 | 10/04/2009 | Commercial | $275,000 | 06/07/2018 |

**Non-Accrual Mortgages**

1. As at 30 June 2020, a mortgage loan asset of $569,000 (2019: $569,000) was deemed to be non-accrual, i.e. the loan asset is not accruing any income benefit to the Scheme as it is doubtful if the income would be recovered.

   The impairment in relation to this mortgage as at 30 June 2020 was $Nil (2019: $Nil) and the impairment in relation to the interest is $18,069 (2019: $144,000) of the total disclosed impairment in Note 7 of $69,094 (2019: $580,742). At the date of singing this report, this loan was repaid.

2. As at 30 June 2020, a mortgage loan asset of $2,500,000 (2019: $3,180,000) was deemed to be non-accrual as the borrower is no longer making interest repayments. However, the property securing the loan is generating rental income and after the deduction of related expenses any

surplus is being treated as interest income to the Scheme.

The impairment in relation to this mortgage as at 30 June 2020 was $680,000 (2019: $39,300) of the total $1,325,717 (2019: $157,232) and the impairment in relation to the interest is $Nil (2019: $Nil) of the total disclosed impairment in Note 11 of $69,094 (2019: $580,742).The most recent valuation of the property securing this mortgage is $2,500,000 as at 26 November 2019.

3. As at 30 June 2020, a mortgage loan asset of $510,483 (2019: $646,700) was deemed to be non-accrual as the borrower is no longer making interest repayments and there is the possibility that principal will not be recovered due to low value of land sales. The Directors resolved to cease accruing any further interest from 1 October 2019. The most recent valuation of the property securing this mortgage is $800,000 as at 2 August 2018.

   The impairment in relation of this mortgage for the year ended 30 June 2020 was $136,217 (2019: $Nil) of the total disclosed in Note 11 of $1,394,811 (2019: $551,292). The interest impairment in relation to this mortgage at 30 June 2020 was $23,783 (2019: $115,805) of the total impairment of $69,094 (2019: $580,742) disclosed as in Note 7.

4. As at 30 June 2020, a mortgage loan asset of $3,330,818 (2019: $3,830,317) was deemed to be non-accrual as the borrower is no longer making interest repayments.

   The impairment in relation to this mortgage as at 30 June 2020 was $499,500 (2019: $117,932) in the total disclosed impairment in Note 11 of $1,394,811 (2019: $551,292). The interest impairment in relation to this mortgage at 30 June 2020 was $Nil (2019: $182,568) in the total impairment of $69,094 (2019: $580,742) disclosed in Note 7.

5. As at 30 June 2020, a mortgage loan asset of $805,450 was deemed to be non-accrual as the borrower is no longer making interest repayments.

   The impairment in relation to this mortgage as at 30 June 2020 was $10,000 (2019: Nil) in the total disclosed impairment in Note 11 of $1,394,811 (2019: $551,292). The interest impairment in relation to this mortgage at 30 June 2020 was $Nil (2019: $Nil) in the total impairment of $69,094 (2019: $580,742) disclosed in Note 7. At the date of signing this report this loan was repaid.

**Impaired Financial Assets**

As at 30 June 2020 mortgage related interest considered past due totalled $247,892 (2019: $595,874) of which $69,094 (2019: $580,742) is deemed impaired and has been provided for.

As at 30 June 2020 non-accrual mortgage loan assets past due totalled $6,910,300 (2019: $8,343,950) of which $1,325,717 (2019: $157,232) is deemed impaired and has been provided for.

**Cash and Cash Equivalents**

The exposure to credit risk is low as counterparties have sound credit ratings.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme’s liquidity is constantly monitored to ensure sufficient cash flow is available to meet requirements. The liquidity risks associated with the need to satisfy Participants’ requests for redemptions are mitigated by constantly monitoring to ensure sufficient cash is maintained to satisfy usual levels of demand.

**Contractual Maturities of Financial Liabilities**

The Scheme maintains an overdraft facility to assist with liquidity and the timing of cash flows. This facility is shown as Interest Bearing Liabilities on the Statement of Financial Position and is an ongoing arrangement.

Distributions are paid to investors within 90 days of accrual.

Mortgage Offset Accounts are managed by the Responsible Entity on behalf of the borrower over the period of the loan.

Participant accounts are payable at call to investors subject to limitations due to illiquidity.

Trade and other payables are due within 12 months, typically within 30 days.

### (d) Net Fair Values of Financial Assets and Liabilities

The Scheme's financial assets and liabilities are included in the Statement of Financial Position at amounts that approximate net fair value. The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in Note 1(a) of the Statement of Significant Accounting Policies section.

As at 30 June 2020 the carrying amounts of the asset class Loans and Receivables were equal to fair values, $27,524,557 (2019: $55,929,657). As at 30 June 2020 the carrying amounts of remaining assets were equal to fair values, $10,264,400 (2019: $9,345,852). As at 30 June 2020, the carrying amounts of financial liabilities were equal to fair values, $37,788,957 (2019: $65,275,509).

### Financial and Other Assets Measured at Fair Value

The assets and liabilities recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unadjusted redemption price quoted by the underlying fund manager and OTC derivatives using valuation models.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include implied unit prices, capitalisation rates, earnings multiples and recent comparable market transactions. The Trustee generally values units in unit trusts classified as level 3 instruments using the implied unit price provided by the underlying fund manager unless there is a specific verifiable reason to vary from the unit price provided. The level 3 unit trusts held by the Fund may include closed funds which are illiquid investments. The level 3 unit trusts hold assets such as property and equity that cannot be readily observable.

The Scheme holds no financial instruments that fall within this fair value hierarchy.

### (e) Operational Risk

Operational risk is the risk of loss arising from causes associated with the processes, technology and infrastructure supporting the Scheme's activities with financial instruments either internally within the scheme or externally at the Scheme's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements.

The Scheme's objective is to manage operational risk so as to balance mitigation of risk with achieving its investment objective and generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Directors of the Responsible Entity.

The Directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular reporting, ad-hoc discussions and an annual on-site review with the service providers and a review of the service providers' GS007 report on internal controls.

Substantially all of the assets of the Scheme are held by Certes CT Pty Ltd (former Sargon CT Pty Ltd). Bankruptcy or insolvency of the Scheme's custodian may cause the Scheme's rights with respect to the securities held by the custodian to be delayed or limited. The Responsible Entity monitors the capital adequacy of its custodian quarterly and reviews the findings documented in the GS007 report on the internal controls annually.

The Scheme has provided the custodian a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part of the standard contractual terms of the custody agreement.

## 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2020 or 30 June 2019.

## 14. EVENTS SUBSEQUENT TO REPORTING DATE

In July 2020, the Board of the Responsible Entity determined that due to no longer having the capacity to source quality new mortgages and due to heightened withdrawal requests the Scheme will be terminated. It has determined that withdrawal requests received prior to 2 March 2020 (Liquidity Date) will be paid as Priority Payments.

Once the Priority Payments are completed any available funds will be returned as capital to remaining Participants on a pro-rata basis.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2020 or on the results and cash flows of the Fund for the reporting period ended on that date.

## 15. SCHEME DETAILS

The registered office and principal place of business of the Responsible Entity, Tidswell Financial Services Ltd, and the Scheme is 50 Hindmarsh Square, Adelaide SA 5000.

## 16. AUDITOR'S REMUNERATION

Auditor remuneration in relation to the Scheme for the year ended 30 June 2020 totalled $17,500 (2019: $35,678). This is comprised of $17,500 (2019: $31,752) for audit services which are payable by the Scheme, and $Nil (2019: $6,500) for other services (compliance services) which is payable by the Responsible Entity.

# Responsible Entity's Directors' Declaration

The Directors of Tidswell Financial Services Ltd, Responsible Entity of The Pooled Mortgage Managed Investment Scheme, declare that:

1. The financial statements and notes, as set out on pages 7 to 27, are in accordance with the Corporations Act 2001:

   (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Scheme.

2. These financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

3. In the directors' opinion there are reasonable grounds to believe that the Scheme 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 Tidswell Financial Services Ltd:

**TIDSWELL FINANCIAL SERVICES LTD**

Fiona McNabb
**Director**

30 September 2020

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

**INDEPENDENT AUDITOR'S REPORT**

To the unitholders of The Pooled Mortgage Managed Investment Scheme

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of The Pooled Mortgage Managed Investment Scheme (the Scheme), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of The Pooled Mortgage Managed Investment Scheme, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Scheme's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) 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 Scheme in accordance with 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Scheme, 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.

### Emphasis of matter – Basis of preparation

We draw attention to Note 1 of the financial report, which states that the financial report of the Scheme has been prepared on a liquidation basis given the Director's intention to wind up the Scheme. Our opinion is not modified in respect of this matter.

## Other information

The directors of Tidswell Financial Services Limited (the Responsible Entity) are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's report, 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors of the Responsible Entity for the Financial Report

The directors of the Responsible Entity 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 Scheme's ability 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 Scheme or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

BDO

James Dixon

James Dixon
Director

Melbourne, 30 September 2020