

**Mantra Hindmarsh Square Managed
Investment Scheme
ARSN 089 814 193**

**ANNUAL FINANCIAL REPORT
for the year ended 30 June 2021**

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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 Mantra Hindmarsh Square 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 2021.

RESPONSIBLE ENTITY

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 9 Podium, 530 Collins Street, Melbourne VIC 3000.

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

Michael John Terlet AO	Non-Executive Director - Chairman	
Ronald Peter Beard	Non-Executive Director	
Fiona McNabb	Non-Executive Director	
Andrew Peterson	Executive Director	Appointed 20 March 2018 Resigned 18 February 2021
Darran Goodger	Executive Director	Appointed 18 February 2021

PRINCIPAL ACTIVITIES

Mantra Hindmarsh Square is a managed investment scheme registered under the Corporations Act 2001. The apartments are operated as a hotel, where the income from all Scheme apartments is pooled and, after payment of certain expenses, the net income is distributed to the Owners of the apartments in accordance with their entitlements.

REVIEW AND RESULTS OF OPERATION

Results – Financial Year

The financial result of the Scheme for the year 1 July 2020 to 30 June 2021 on an accrued basis was a return on investment of 4.47%. The total net profit for the year before distributions was \$1,622,684 (2020: \$2,758,772).

During the year 1 July 2020 to 30 June 2021, the total rental income from room revenue was \$4,419,052 (2020: \$6,307,067).

The Scheme had total assets valued at \$3,488,015 as at 30 June 2021 (2020 at \$3,270,268). The basis for valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

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Distributions

Distributions paid by the Scheme during the financial year were:

	(\$)
Cash distribution for July 2020	60,935
Cash distribution for August 2020	55,908
Cash distribution for September 2020	53,460
Cash distribution for October 2020	110,986
Cash distribution for November 2020	122,878
Cash distribution for December 2020	123,826
Cash distribution for January 2021	190,096
Cash distribution for February 2021	139,987
Cash distribution for March 2021	272,945
Cash distribution for April 2021	261,347
Cash distribution for May 2021	250,157
Cash distribution for June 2021 (accrued in June, paid in July 2021)	278,895
Accrued distribution (repairs and maintenance fund, scheme cost budget, furniture and equipment and other accrued income)	(298,736)
Total Distributions	<u>1,622,684</u>

Units on Issue

There are 175 Apartments in the Scheme. Each Apartment Owner is entitled to a share in the Scheme income based on the original capital cost of the Apartment, furniture package and stamp duty, as a percentage of the total capital cost.

As at 30 June 2021, 3 Apartments have been sold privately during the financial year (2020: 10 Apartments).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The COVID-19 pandemic and measures taken by various governments to contain the virus have negatively affected the performance of the Scheme in the reporting period. From late March 2020, travel has been greatly restricted and occupancies dropped to around 20% and the room rates dropped to sub \$100. However, from January 2021 the Hotel Operator saw the occupancies at Mantra Hindmarsh increase as well as the stronger average room rate were achieved.

The results for the year were significantly reduced to 4.47% in comparison to a 10-year average of 7.31%. The cash distributions reduced to \$1,921,420 from a 10-year average of \$3,225,517.

Based on the circumstances described above, the financial statements are prepared on the assumption that the Scheme is a going concern.

LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

ENVIRONMENTAL REGULATION

The Scheme's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. However, the Responsible Entity believes that the Scheme has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they may apply to the Scheme.

INTERESTS OF THE RESPONSIBLE ENTITY

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Management fees are calculated monthly in accordance with the Constitution at 4% of the Revenue amount calculated for the previous month (with a minimum amount payable of \$22,287 per month increased annually for CPI). The Responsible Entity was paid fees detailed in the following table.

Furthermore, the Responsible Entity has incurred a number of costs charges and expenses on behalf of the Scheme in establishing the scheme and administering the scheme each year. These costs have been calculated in accordance with the terms of Schedule 1 of the Scheme Constitution and amount to a cumulative total of \$134,757 as at 30 June 2021 (2020: \$163,950).

During the year ended 30 June 2021 the Responsible Entity received management fees and reimbursements as detailed below:

Management fees	\$269,059
Reimbursement of expenses	\$59,833

EVENTS SUBSEQUENT TO REPORTING DATE

At the time of signing this financial report, the hotel industry continues to experience a limited demand in Occupancy and low Average Room Rate affecting the Room Revenue to the Scheme.

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 2021 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 2021. The Responsible Entity has paid or agreed to pay in respect of the Scheme, premiums in respect of such insurance contracts for the year ending 30 June 2021. 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.

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AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration is set out on page 7 and forms part of the directors' report for the year ended 30 June 2021.

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

TIDSWELL FINANCIAL SERVICES LTD



Director

28 September 2021

DECLARATION OF INDEPENDENCE BY JAMES DIXON TO THE DIRECTORS OF TIDSWELL FINANCIAL SERVICES LIMITED AS RESPONSIBLE ENTITY FOR MANTRA HINDMARSH SQUARE INVESTMENT SCHEME

As lead auditor of Mantra Hindmarsh Square Investment Scheme for the year ended 30 June 2021, 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, 28 September 2021

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	30 June 2021 (\$)	30 June 2020 (\$)
Revenue			
Room Revenue		4,419,052	6,307,067
Other Room Revenue		134,834	200,205
Other Hotel Income		131,680	1,390,056
Interest Received	3	6,214	33,244
Total revenue		4,691,780	7,930,572
Expenses			
Distributions	6	1,622,684	2,758,772
Hotel Operator Fee (Other Income)		131,680	1,390,056
Hotel Operator Fee (48%)		2,185,865	3,123,491
Responsible Entity Fees	10(b)	269,059	277,333
Custodian, Legal and Contingency		46,465	39,679
Bank Charges		172	159
Professional Indemnity Insurance		68	2,917
Auditor Fees		13,300	28,800
Furniture and Equipment Depreciation	7	402,083	273,626
Credit Card Charges		20,404	35,739
Total expenses		4,691,780	7,930,572
Profit from operating activities		-	-
Other comprehensive income		-	-
Total Comprehensive income for the year		-	-

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 (\$)	30 June 2020 (\$)
Current Assets			
Cash and Cash Equivalents (Scheme Revenue Account)	11(b)	1,283,871	374,540
Financial Asset	10(d)	71,185	515,177
Trade and Other Receivables	13	317,316	165,747
Total Current Assets		1,672,372	1,055,464
Non-Current Assets			
Plant and Equipment	7	1,815,643	2,214,804
Total Non-Current Assets		1,815,643	2,214,804
Total Assets		3,488,015	3,270,268
Current Liabilities			
Trade and Other Payables	8	933,408	416,925
Accrued Distributions	2	738,964	638,539
Total Current Liabilities		1,672,372	1,055,464
Non-Current Liabilities			
Accrued Distributions	2	1,815,643	2,214,804
Total Non-Current Liabilities		1,815,643	2,214,804
Total Liabilities		3,488,015	3,270,268
Net Assets		-	-
Equity		-	-

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the year ended 30 June 2021

	Note	30 June 2021 (\$)	30 June 2020 (\$)
Retained Earnings			
Opening balance		-	-
Total comprehensive income		-	-
Closing balance		<hr/> - <hr/>	<hr/> - <hr/>

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Statement of Cash Flows

For the year ended 30 June 2021

	Note	30 June 2021 (\$)	30 June 2020 (\$)
Cash flows from operating activities			
Goods and services tax paid		(48,144)	(321,778)
Receipts from guests		5,011,350	8,908,514
Interest income received		5,755	32,783
Responsible entity fees paid		(285,719)	(300,411)
Distributions paid to owners		(1,676,400)	(2,758,014)
Hotel operator fee and other scheme costs paid		(2,539,040)	(5,264,253)
Net cash provided by operating activities	11(a)	467,802	296,841
Cash flows from investing activities			
Net investment of repairs and maintenance funds		444,451	(951,583)
Investment in furniture and equipment		(2,922)	(3,334)
Net cash (used in)/provided by investing activities		441,529	(954,917)
Net increase/ (decrease) in cash held		909,331	(658,076)
Cash at beginning of the financial year		374,540	1,032,616
Cash at end of the financial year	11(b)	1,283,871	374,540

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

for the year ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Mantra Hindmarsh Square 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 2021.

These financial statements were authorised for issue by the Board of Directors of the Responsible Entity on 28 September 2021.

Basis of Preparation

Statement of Compliance

These 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 (AASBs) 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 financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(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.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Management of the Scheme's Responsible Entity has determined the investment portfolio, as a whole, satisfies the held for trading financial asset criteria.

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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. 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 expired. 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 tangible 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) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

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Plant and Equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of asset	Depreciation rate
Furniture and equipment	20%
Property improvements	10%-12.5%

(e) Income and Expenses

Income

Room Revenue and Other Hotel Income are brought to account on an accrual basis when the accommodation is provided by the Hotel Operator.

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

Expenses

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.

In accordance with the Scheme Constitution and Prospectus, Tidswell Financial Services Ltd (**TFSL**) receives a fee as the Responsible Entity. This fee is calculated on a monthly basis as the higher of 4% of the revenue from apartments in the rental pool and \$22,287 increased annually for CPI.

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

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(f) Owners' Funds and Distributions

Owners' Funds

The following accruals have been included in Owners funds at the end of the year and include cash held for Scheme purposes, accrued income and non-cash expenses:

	30 June 2021	30 June 2020
	(\$)	(\$)
Repairs and Maintenance Fund	25,595	472,287
Scheme Costs Budget	773	19,513
Furniture and equipment depreciation / Repair & Maintenance	(402,083)	(273,626)
Investors accrued income	76,979	(76,928)
Total accrued distribution	(298,736)	141,246

Distributions

The Scheme distributes its distributable income, in accordance with the Scheme's Constitution, to Owners in cash. The distributions are recognised in profit or loss as an expense to the Scheme.

(g) Repairs and Maintenance Fund

A percentage of Revenue is set aside in the Scheme bank account as a Repairs and Maintenance Fund for the repair and maintenance of the Owners' Apartments and Equipment. During the year ended 30 June 2021 this was 7.0% of Revenue (2020: 7.0%) however it was suspended to 0% for most of the financial year.

Amounts paid from the Repairs and Maintenance Fund during the year are expensed and reported in the Profit or Loss.

Any accumulated funds not required for immediate use may be invested (currently in the Pooled Mortgage Managed Investment Scheme which is also managed by TFSL refer Note 10(d)). Any income earned on this account is accumulated in the Repairs and Maintenance Fund.

These funds are shown on the Statement of Financial Position under Cash and Cash Equivalents, Financial Asset and Receivables. The corresponding liability is held as part of Accrued Distributions a breakdown of which is detailed at Note 2.

(h) Taxation

Under current legislation the Scheme is not subject to income tax as the taxable income is distributed in full to the Owners. Any liability for income tax must be taken up by Owners as part of their personal liability for tax.

(i) 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.

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(j) Trade and Other Payables

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

(k) 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.

(l) 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.

(m) Comparative Figures

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

(n) Accounting standards issued and adopted during the financial year

The Scheme has adopted all of the new or amended Accounting Standards and Interpretations issued by the 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.

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2. ACCRUED DISTRIBUTIONS

The following accruals have been included in Owners' funds at the end of the year:

	30 June 2021 (\$)	30 June 2020 (\$)
Scheme Cost Budget		
Opening Balance	19,228	(285)
Net Distributions	773	19,513
Closing Balance	20,001	19,228
Repairs and Maintenance Fund		
Opening Balance	558,202	1,037,499
Purchase of Furniture / Repair & Maintenance	(2,922)	(951,583)
Net Distributions	25,595	472,287
Closing Balance	580,875	558,202
Owners' Distributions from Accrued Income		
Opening Balance	61,109	138,038
Net Distributions	76,979	(76,930)
Closing Balance	138,088	61,109
Total Current Accrued Distributions	738,964	638,539
Furniture and Equipment		
Opening Balance	2,214,804	1,536,847
Purchase of Furniture	2,922	951,583
Disposal of Furniture	-	-
Depreciation	(402,083)	(273,626)
Closing Balance	1,815,643	2,214,804
Total Non-Current Accrued Distributions	1,815,643	2,214,804
Total Accrued Distributions	2,554,607	2,853,343
3. INTEREST INCOME		
Cash and cash equivalents	1,318	11,654
Managed funds	4,896	21,589
Total	6,214	33,243

4. AUDITOR REMUNERATION

Auditor remuneration in relation to the Scheme for the year ended 30 June 2021 totalled \$18,800 (2020: \$22,700). This is comprised of \$14,800 (2020: \$22,700) for audit services which is payable by the Scheme, and \$4,000 (2020: \$0) for other services which is payable by the Responsible Entity.

5. OWNERS' FUNDS

Owners assign the right to the use of their apartment to the Scheme. The Scheme held no net assets (capital) at any point in time. Net assets are fully distributed during the year, accordingly there is no balance of owner funds as at 30 June 2021 (2020: \$Nil).

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6. DISTRIBUTIONS

	30 June 2021 (\$)	30 June 2020 (\$)
Distributions attributable to Owners	1,998,399	2,540,598
Distributions attributable to Repairs and Maintenance	25,595	472,287
Distributions attributable to Scheme Cost Budget	773	19,513
Distributions attributable to Furniture Depreciation / Repair and & Maintenance	(402,083)	(273,626)
Total Distributions	1,622,684	2,758,772

7. PLANT AND EQUIPMENT

Plant and Equipment – at cost	4,270,568	4,267,646
Less accumulated depreciation	(2,454,925)	(2,052,842)
Plant and Equipment – carrying amount at end of year	1,815,643	2,214,804
Movement in carrying amounts		
Plant and Equipment		
Opening Balance	2,214,804	1,536,847
Additions	2,922	951,583
Depreciation Expense	(402,083)	(273,626)
Closing Balance	1,815,643	2,214,804

8. TRADE AND OTHER PAYABLES

	30 June 2021 (\$)	30 June 2020 (\$)
Responsible Entity	57,626	47,380
Hotel Operator	508,783	140,439
Distributable Owner's Cash	278,895	294,022
GST Liabilities	75,432	(82,416)
Other Payables	12,672	17,500
Total Trade and Other Payables	933,408	416,925

9. CONTINGENT LIABILITY

The Responsible Entity has incurred a number of expenses on behalf of the Scheme, which totalled \$134,757 at 30 June 2021 (2020: \$163,950). The Responsible Entity does not intend to claim reimbursement of \$134,757 at the present time unless it ceases to be the Responsible Entity (e.g. a meeting is called to wind up the Scheme or replace TFSL as the Responsible Entity), or an apartment is withdrawn from the Scheme, or excess funds remain in the Scheme Costs Budget Fund from year to year.

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10. RELATED PARTIES

The Responsible Entity of the Scheme is Tidswell Financial Services Ltd ABN 55 010 810 607 (**TFSL**) whose ultimate holding company Certane Pty Ltd ABN 91 640 126 585.

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 \$269,059 (2020: \$277,333). Responsible Entity fees are calculated in accordance with the Scheme Constitution and Prospectus as the higher of 4% of the revenue from apartments in the rental pool and \$22,287 (increased annually by CPI) on a monthly basis. Responsible Entity fees charged for the period are recognised in the Profit or Loss.

- (c) Other General Administration Expenses

The Responsible Entity is entitled, under the Scheme Constitution, to be reimbursed for certain expenses incurred in administering the Scheme. The basis on which expenses are reimbursed is defined in the Scheme Constitution. The amount reimbursed for the period totalled \$29,194 (2020: \$19,513) and is recognised in the Profit or Loss and was calculated in accordance with the Scheme Constitution.

Other Related Party Transactions

- (d) Related party investments held by the Scheme

The Mantra Hindmarsh Square Managed Investment Scheme was invested in The Pooled Mortgage Managed Investment Scheme (**PMMIS**), which is a related managed investment scheme that invested in mortgage loans. The PMMIS is a separate entity although it remains a sub-scheme and authorised investment of The Tidswell Investment Plan (**TIPMIS**). The Responsible Entity receives fees for the management of this related entity.

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Details of the Scheme's investment in other schemes operated by TFSL is set out below:

Scheme	Amount Invested \$	New Investments \$	Redemptions \$	Distributions \$
30 June 2021				
TIP PMMIS	71,185	-	448,888	4,896
Total	71,185	-	448,888	4,896
30 June 2020				
TIP PMMIS	515,177	-	-	21,589
Total	515,177	-	-	21,589

At reporting date, an amount of \$4,896 (2020: \$5,073) of distributions was receivable from this investment.

(e) Other transactions with the Scheme

The following transactions occurred between the related entities:

Tidswell Financial Services Limited

No director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

The aggregate amount of debts, other than trade debts, due and receivable from and payable to other related parties by the scheme at reporting date:

	30 June 2021 (\$)	30 June 2020 (\$)
Responsible Entity	57,626	47,380
Total	57,626	47,380

These amounts are included in creditors and accruals.

Other expenses totalling \$134,757 have been incurred by the Responsible Entity on behalf of the Scheme since 1 July 1999 which have not been reimbursed as at the date of this report.

Certane CT Pty Ltd

Certane CT Pty Ltd, the custodian was a related party during the reporting period. The fees paid directly from the scheme were \$5,453 (2020: \$5,395).

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11. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash flows from operations to net profit:

	30 June 2021 (\$)	30 June 2020 (\$)
Operating Profit	-	-
Add/(less) non-cash items:		
Depreciation	402,083	273,626
Changes in assets and liabilities during the financial year:		
Decrease in Trade and Other Receivables	(151,567)	216,131
Decrease in Trade and Other Receivables	-	-
Increase / (Decrease) in Trade and Other Payables	217,286	(192,916)
Net Cash Provided by Operating Activities	467,802	296,841

(b) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short term deposits at call. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and Cash Equivalents (Scheme Revenue Account)		
Repairs and Maintenance Fund	518,562	282,322
Scheme Costs Budget Fund	72,773	68,489
Distributable Budget Fund	692,536	23,729
Total	1,283,871	374,540

(c) Non-cash financing and investment activities

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

12. EVENTS SUBSEQUENT TO REPORTING DATE

At the time of signing this financial report, the hotel industry continues to experience a downturn in Occupancy and Average Room Rate affecting the Room Revenue to the Scheme.

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 2021 or on the results and cash flows of the Fund for the reporting period ended on that date.

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13. FINANCIAL RISK MANAGEMENT

The Scheme assets are limited to funds held for repairs and maintenance and distributions, and trade receivables. Investors in the Scheme make their apartments available for use by the Scheme to generate revenue, however, the apartments do not form part of the Scheme assets.

The Scheme maintains positions in a variety of non-derivative financial instruments. The Scheme's investment portfolio includes bank deposits and investments in other 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.

Due to the COVID-19 and the government measures taken, the hotel industry continued to experience a limited demand in Occupancy and low Average Room Rate negatively impacting the performance of the Scheme during the reporting period.

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.

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

	30 June 2021	30 June 2020
	(\$)	(\$)
Hotel Income Receivable	317,316	165,747
Trade and Other Receivables	-	-
Total	317,316	165,747

(a) Market Risk

Market risk embodies the potential for losses and gains and includes currency risk, interest rate risk and price risk. The Responsible Entity manages the Scheme's exposure to market risks.

Currency Risk

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

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 fair value with changes recognised in the Profit or Loss, all changes in market conditions will directly affect Total Income.

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

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Sensitivity Analysis

A 3% increase in the value of the managed investment scheme would have increased Total Current Assets and Total Income by \$2,135 (2020: by \$11,456). An equal change in the opposite direction would have decreased the Total Current Assets and Total Income by an equal opposite amount. The PMMIS is winding up hence no further investments have been made.

Interest Rate Risk

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its investors. These investments 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:

	Weighted Average Effective Interest Rate		Interest bearing		Non-interest bearing		Total	
	2021 (%)	2020 (%)	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Financial Assets								
Cash	0.23	0.92	1,283,871	374,540	-	-	1,283,871	374,540
Investments	1.65	4.22	71,185	515,177	-	-	71,185	515,177
Receivables	-	-	-	-	317,316	165,747	317,316	165,747
Total Financial Assets			1,355,056	889,717	317,316	165,747	1,672,372	1,055,464
Financial Liabilities								
Sundry Creditors	-	-	-	-	1,672,372	1,055,464	1,672,372	1,055,464
Total Financial Liabilities			-	-	1,672,372	1,055,464	1,672,372	1,055,464

The effect of a change in interest rate on Total Assets and Total Income is immaterial.

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. At 30 June 2021, the following financial assets were exposed to credit risk: cash and cash equivalents, trade and other receivables and units in managed funds. Market prices generally incorporate credit assessments into valuations and 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.

Financial Assets Past due not impaired

	30-59 days (\$)	60-89 days (\$)	90-119 days (\$)	> 119 days (\$)
Aged debtors for Year-End 30 June 2021	93,928	35,256	48,565	-
Aged debtors for Year-End 30 June 2020	45,934	6,192	81,157	-

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(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 regular inflow of cash funds is sufficient to keep any liquidity risk at a relatively low level.

The payment of \$635,637 (2020: \$362,803) representing Trade and Other Payables and \$76,979 (2020: \$61,109) of Accrued Distributions is dependent on the receipt of trade and other receivables by the Scheme. However, accrued distributions to investors include \$738,965 (2020: \$638,539) (representing funds held for Repairs and Maintenance and Scheme Costs Budget) as a liability at reporting date which is not payable to investors unless the scheme is wound up.

GST liabilities and deposits held from guests have a maturity of less than 3 months.

(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 2021 the carrying amounts of financial assets were equal to fair values, \$1,672,372 (2020: \$1,055,464). As at 30 June 2021 the carrying amounts of financial liabilities were equal to fair values, \$1,672,372 (2020: \$1,055,464).

Financial Instruments 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.

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
30 June 2021				
Managed funds	-	-	71,185	71,185
Total	-	-	71,185	71,185
30 June 2020				
Managed funds	-	-	515,177	515,177
Total	-	-	515,177	515,177

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Managed Funds reclassified as Level 3 relates to investments in related managed investment schemes that invest in mortgage loans. This re-classification has been applied as the Scheme became illiquid on 2 March 2021.

(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 (where available).

Substantially all of the assets of the Scheme are held by Certane CT Pty Ltd (former Certes 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.

14. REFURBISHMENT

During the year, no further refurbishment works in the hotel were carried out (2020: \$943,918)

15. SCHEME DETAILS

The registered office and principal place of business of the Responsible Entity, Tidswell Financial Services Ltd, and the Scheme is Level 9 Podium, 530 Collins Street, Melbourne VIC 3000.

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Responsible Entity's Directors' Declaration

The Directors of Tidswell Financial Services Ltd, Responsible Entity of Mantra Hindmarsh Square Managed Investment Scheme, declare that:

1. The financial statements and notes, as set out on pages 8 to 25, 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 2021 and of the performance of the Scheme for the year ended on that date.
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



Director

28 September 2021

INDEPENDENT AUDITOR'S REPORT

To the unitholders of Mantra Hindmarsh Square Investment Scheme

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mantra Hindmarsh Square Investment Scheme (the Scheme), which comprises the statement of financial position as at 30 June 2021, 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 Mantra Hindmarsh Square 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 2021 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.

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

A handwritten signature in black ink, appearing to read 'James Dixon', written in a cursive style.

James Dixon
Director

Melbourne, 28 September 2021