

# **ASCF #1 FUND**

**ARSN: 616367410**

**Interim Financial Statements For The Half-Year Ended  
31 December 2018**

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## **Interim Financial Statements For The Half-Year Ended 31 December 2018**

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**ASCF #1 FUND**  
**ARSN: 616367410**  
**DIRECTORS' REPORT**  
**FOR THE HALF-YEAR ENDED DECEMBER 2018**

The directors of Australian Secure Capital Fund Ltd (the 'Responsible Entity'), the Responsible Entity of ASCF #1 Fund (the 'Fund'), submit their report together with the financial report of the Fund for the half-year ended 31 December 2018.

**Directors**

The names of the directors of the Responsible Entity in office at any time during, or since the end of, the half-year are:

Richard John Taylor  
Kosta Nicholas Giovanos  
Filippo Sciacca

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

**Review of Operations**

Revenue of \$1,193,762 less expenses of \$647,514 resulted in a distribution to Unitholders of \$546,248 (31 December 2017: \$89,054).

**Significant Changes in the State of Affairs**

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

**Principal Activities**

The principal activity of the Fund during the financial half-year was the provision of regular monthly income through a selection of investments in short-term registered first mortgage loans. Unitholders are provided with a fixed rate, fixed term interest only investment.

**Events Subsequent to the End of the Reporting Period**

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the fund, the results of those operations, or the state of affairs of the fund in future financial years.

**Likely Developments and Expected Results of Operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the fund's constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

**Environmental Regulation**

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

**Indemnification of Officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers or Australian Secure Capital Fund Ltd or the auditors of the Fund. So long as the officers of Australian Secure Capital Fund Ltd act in accordance with the Fund constitution and the law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

**Indemnity of Auditors**

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

**Fees paid to and interests held in the Fund by the responsible entity or its associates**

Fees paid to the responsible entity and its associates out of Fund property during the half-year are disclosed in note 12 of the interim financial statements.

No fees were paid out of Fund property to the directors of the responsible entity during the half-year.

The number of interests in the Fund held by the responsible entity or its associates as at the half-year end are disclosed in note 12 of the financial statements.

**Interests in the Fund**

The movement of units on issue in the Fund during the half-year are disclosed in note 15 of the interim financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in note 1 to the financial statements.

**Proceedings on Behalf of the Fund**

No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

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

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is included in these financial statements.

The directors' report is signed in accordance with a resolution of the Board of Directors:

Director:

Richard John Taylor

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Dated this

15

day of

March

2019

## Auditor's Independence Declaration

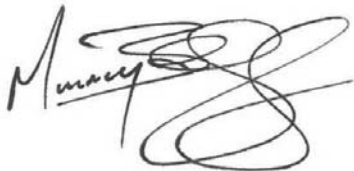
### To the Directors of ASCF #1 Fund

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of ASCF #1 Fund for the half-year ended 31 December 2018. I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M C Bragg  
Partner – Audit & Assurance

Brisbane, 15 March 2019

**ASCF #1 FUND**  
**ARSN: 616367410**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	6 Months to 31 Dec 2018 \$	6 Months to 31 Dec 2017 \$
<b>Revenue</b>			
Interest income		1,134,218	170,497
<b>Total Revenue</b>		<u>1,134,218</u>	<u>170,497</u>
<b>Other Income</b>			
Management Fees		59,544	1,324
<b>Total other income</b>		<u>59,544</u>	<u>1,324</u>
<b>Total revenue and other income</b>		<u>1,193,762</u>	<u>171,821</u>
<b>Expenses</b>			
Legal & Compliance Fees		-	-
Performance Fees		(640,980)	(82,458)
Other Expenses		(6,534)	(309)
<b>Total Expenses</b>		<u>(647,514)</u>	<u>(82,767)</u>
<b>Operating Profit/(Loss)</b>		<u>546,248</u>	<u>89,054</u>
<b>Finance Costs Attributed to Unitholders</b>			
Distributions to Unitholders		(546,248)	(89,054)
<b>Profit/(Loss) for the year</b>		<u>-</u>	<u>-</u>
<b>Other Comprehensive Income</b>			
<b>Total other comprehensive income</b>		-	-
<b>Total comprehensive income attributable to unitholders</b>		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

**ASCF #1 FUND**  
**ARSN: 616367410**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	<b>Note</b>	31 Dec 2018 \$	30 Jun 2018 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	516,604	430,486
Loans Receivables	5	18,832,304	13,770,755
Other Receivables	6	26,093	66,473
<b>TOTAL CURRENT ASSETS</b>		<u>19,375,001</u>	<u>14,267,714</u>
<b>TOTAL ASSETS</b>		<u><u>19,375,001</u></u>	<u><u>14,267,714</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	323,448	329,100
Borrowings	8	31,350	24,750
<b>TOTAL CURRENT LIABILITIES</b>		<u>354,798</u>	<u>353,850</u>
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)</b>		<u><u>354,798</u></u>	<u><u>353,850</u></u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS- LIABILITY</b>		<u><u>19,020,203</u></u>	<u><u>13,913,864</u></u>

The accompanying notes form part of these financial statements.

**ASCF #1 FUND**  
**ARSN: 616367410**  
**STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31**  
**DECEMBER 2018**

	<b>Note</b>	31 Dec 2018	30 Jun 2018
		\$	\$
<b>Total equity at the beginning of the period</b>		-	-
Profit/(Loss) for the period		-	-
Other comprehensive income for the period		-	-
Transactions with unitholders in their capacity as owners		-	-
<b>Total equity at the end of the half-financial year</b>		-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the period.

The accompanying notes form part of these financial statements.



**ASCF #1 FUND**  
**ARSN: 616367410**  
**STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	6 Months to 31 Dec 2018 \$	6 Months to 31 Dec 2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		4,544	1,456
Payments to suppliers and employees		(509,694)	(84,997)
Interest received		888,490	182,043
Loans Advanced to Borrowers		(4,897,122)	(2,376,400)
Net cash outflow from operating activities	10	<u>(4,513,782)</u>	<u>(2,277,898)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distributions paid		(513,039)	(86,844)
Advances from Responsible Entity		6,600	(5,154)
Unitholders Funds Received from Investors		16,543,045	6,328,854
Unitholders Funds Redeemed fom Investing		(11,436,706)	(4,295,000)
Net cash inflow from financing activities		<u>4,599,900</u>	<u>1,941,856</u>
Net increase/(decrease) in cash held		86,118	(336,042)
Cash and cash equivalents at beginning of period		430,486	386,391
Cash and cash equivalents at end of period	4	<u><u>516,604</u></u>	<u><u>50,349</u></u>

The accompanying notes form part of these financial statements.

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**ASCF #1 FUND**  
**ARSN: 616367410**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

The interim financial statements cover the economic entity of ASCF #1 Fund. The Fund is an Australian Registered Scheme and was constituted on the 22nd December 2016. Australian Secure Capital Fund Ltd (the 'Responsible Entity' for the Fund) is incorporated and domiciled in Australia and acts as the manager of the Fund.

The interim financial statements were authorised for issue on 15 March 2019 by the directors of the Responsible Entity.

The registered office of the Responsible Entity is Unit 6, 33 Park Road, Milton, QLD, 4064.

**Note 1      Summary of Significant Accounting Policies**

**Basis of Preparation**

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial reporting and Interpretations of the Australian Accounting Standards Board. The fund is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The interim financial statements, except for the cash flow information, have been prepared on an accrual 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

**Changes in significant accounting policies**

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Fund's last annual financial statements for the year ended 30 June 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Fund's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Fund applied AASB 15 and AASB 9 for the interim period ended 31 December 2018. Changes to the Fund's accounting policies arising from these standards are summarised below:

**AASB 15 Revenue from Contracts with Customers**

AASB 15 Revenue from Contracts with Customers requires entities to recognise revenue from the provision of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled for those goods and services. As almost all of the Fund's revenue is in the form of interest arising from financial assets (governed by AASB 9) the Directors do not consider that AASB 15 applies to the Fund's activities.

**AASB 9 Financial Instruments**

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The directors have assessed the impact of AASB 9 on the Funds financial statements. Given no debt instruments are held by the Fund, which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income ('FVOCI'), the adoption of AASB 9 has not had a significant impact on the recognition and measurement of the Fund's financial instruments. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting.

**(a) Fair Value of Assets and Liabilities**

The fund measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the fund would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the fund's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

**(b) Financial Instruments**

**Recognition & Derecognition**

Financial assets and financial liabilities are recognised when the fund becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the fund commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

**Subsequent measurement of financial assets**

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

After initial recognition these are measured at amortised cost using the *effective interest method*. Discounting is omitted where the effect of discounting is immaterial. The Fund's loans receivable fall into this category of financial instruments.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Fund initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

### **Financial liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

### **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial

#### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Fund no longer controls the asset (ie the Fund has no practical ability to make a unilateral decision to sell the asset to a third party).

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**Impairment of financial assets**

The Fund recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Fund uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach
- the simplified approach
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

*General approach*

Under the general approach, at each reporting period, the Fund assesses whether the financial instruments are credit-impaired, and

- the credit risk of the financial instrument has increased significantly since initial recognition, the Fund measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

*Simplified approach*

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and contain a significant financing component.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

*Purchased or originated credit-impaired approach*

For a financial asset that is considered credit-impaired (not on acquisition or origination), the Fund measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- a lender granting to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider; and
- high probability that the borrower will enter bankruptcy or other financial reorganisation.

*Low credit risk operational simplification approach*

If a financial asset is determined to have low credit risk at the initial reporting date, the Fund assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected

In order to make such a determination that the financial asset has low credit risk, the Fund applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

*Recognition of expected credit losses in financial statements*

At each reporting date, the directors recognise the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income. The loss allowance is a representation of 12 months expected credit losses for financial assets at fair value through other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

In assessing these risks, the directors rely on readily available information such as LVR's. In addition, the directors consider other indicators such as adverse changes in business, economic or financial conditions that could affect the borrowers ability to meet its debt obligation or unexpected changes in the borrowers operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Fund recognises for this instrument lifetime expected credit losses.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**(d) Revenue and Other Income**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**(e) Goods and Services Tax (GST)**

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in payments for operating expenses.

**(f) Comparative Figures**

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

**(g) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the interim 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 fund.

**Key estimates**

*(i) Impairment*

The directors assess impairment at the end of each reporting period by evaluating the conditions and events specific to the fund that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

No impairment has been recognised in respect of loans receivable for the period ended 31 December 2018.

**(h) Redeemable Units**

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

**(i) Capital Management**

The responsible entity managed its net assets attributable to unitholders as capital. The amount of net assets attributable to unit holders can change on a daily basis in accordance with the provisions of the Product Disclosure Statement.

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

**(j) Net assets attributable to unitholders**

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income, in accordance with the Fund's constitution.

The units can be put back to the Fund based in line with the requirements outlined in the Product Disclosure Statement of the Fund.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund.

**(k) Expenses**

All expenses, including responsible entity's fees, are recognised in profit and loss on an accrual basis.

**(l) Income Tax**

Under current legislation, the Fund is not subject to income tax as unit holders are presently entitled to the income of the fund.

**(m) Distributions**

The Fund distributes its distributable income, in accordance with the Fund's constitution, to unitholders by cash or reinvestment. The distributions are recognised in profit and loss as finance costs attributable to unitholders.

**(n) Increase/decrease in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unitholders are recognised in profit and loss as finance costs.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**Note 2 Unitholders' Distributions**

Distributions paid and payable by the fund for the half-year are:

	31 Dec 2018	31 Dec 2017
	\$	\$
Distributions paid during the period	546,248	89,054
	546,248	89,054

**Note 3 Auditor's Remuneration**

Remuneration of the auditor is only disclosed in the annual financial statements

**Note 4 Cash and Cash Equivalents**

	31 Dec 2018	30 Jun 2018
CURRENT	\$	\$
Cash at bank	516,604	430,486
	516,604	430,486

Cash at bank is restricted, as the Funds are either investor Funds not yet invested in a mortgage or borrowers Funds held in Fund.

Reconciliation of cash

Cash at end of the half-year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	31 Dec 2018	30 Jun 2018
	\$	\$
Cash at bank	516,604	430,486
	516,604	430,486

**Note 5 Loans Receivable**

	31 Dec 2018	30 Jun 2018
CURRENT	\$	\$
Loans Receivable	18,575,947	13,678,825
Loan Interest Receivable	190,275	85,030
Loan Management Fees Receivable	66,082	6,900
Net Loans Receivable	18,832,304	13,770,755



**ASCF #1 FUND**  
**ARSN: 616367410**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**a. Financial Commitments**

The Fund has the following undrawn Loans Receivable commitments

Approved Loans Receivable	18,585,942	14,343,825
Less: Loans Receivable Drawn Down	<u>(18,575,947)</u>	<u>(13,678,825)</u>
Undrawn Loan Commitment	<u>9,995</u>	<u>665,000</u>

**b. Credit risk**

The Fund has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Fund is considered to relate to the class of assets described as "loans receivable".

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

	31 Dec 2018	31 Dec 2018	30 Jun 2018	30 Jun 2018
	No.	\$	No.	\$
Loan to Valuation Ratio 70 - 80%	10	7,847,992	7	9,596,500
Loan to Valuation Ratio 61 - 70%	9	8,857,955	2	625,000
Loan to Valuation Ratio 51 - 60%	2	900,000	2	1,220,000
Loan to Valuation Ratio 41 - 50%	2	970,000	1	500,000
Loan to Valuation Ratio 25 - 40%	-	-	2	1,307,325
Loan to Valuation Ratio <25%	-	-	2	430,000
	<u>23</u>	<u>18,575,947</u>	<u>16</u>	<u>13,678,825</u>

**c. Impairment of Financial Assets**

Expected credit losses are assessed by the Fund in accordance with the accounting policies outlined in Note 1(b). The directors have performed an assessment of expected credit losses in relation to loans receivable in the statement of financial position as at the end of the reporting period, and have determined that there has been no significant increase in credit risk during the period. As a result no loss allowance for expected credit losses has been recorded as at reporting date.

**d. Collateral Held as Security**

All loans receivable are secured with registered mortgages against residential property.

**e. Collateral Pledged**

No trade and other receivable balances have been pledged as collateral.

**f. Fair Value**

Loans receivable are expected to be recovered within a short term and fair value is therefore equivalent to carrying amount.

**Note 6 Other Receivables**

	31 Dec 2018	30 Jun 2018
Note	\$	\$
<b>CURRENT</b>		
Performance Fees in Advance	-	54,822
GST Receivable	16,098	11,651
Sundry Debtor	9,995	-
	<u>26,093</u>	<u>66,473</u>

**ASCF #1 FUND**  
**ARSN: 616367410**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**Note 7 Trade and Other Payables**

	Note	31 Dec 2018 \$	30 Jun 2018 \$
CURRENT			
Sundry payables		1,628	5,237
Unpaid fund distributions		108,287	71,470
Income in Advance		120,134	252,393
Performance Fees Payable		93,399	-
	7a	<u>323,448</u>	<u>329,100</u>

a. Financial liabilities at amortised cost classified as trade and other payables:

	31 Dec 2018 \$	30 Jun 2018 \$
Trade and other payables		
- Total current	323,448	329,100

b. The fair value of financial liabilities (including trade and other payables) is equivalent to their carrying amount.

**Note 8 Borrowings**

	Note	31 Dec 2018 \$	30 Jun 2018 \$
CURRENT			
Unsecured liabilities			
Loan - Australian Secure Capital Fund Ltd		15,650	9,050
Loan - ASCF #2 Fund		15,700	15,700
<b>TOTAL BORROWINGS</b>		<u>31,350</u>	<u>24,750</u>

**Note 9 Issued Units**

**a. Units on Issue**

The Fund has authorised 19,020,203 (31 December 2017: 3,553,864) units on issue at \$1 each amounting to \$19,020,203 (31 December 2017: \$3,553,864).

	<b>6 Months to 31 Dec 2018 No.</b>	<b>6 Months to 31 Dec 2017 No.</b>
<b>Number of fully paid units</b>		
At beginning of the reporting period	13,913,864	1,520,010
Units issued during the period	16,543,045	6,328,854
Units redeemed during the period	<u>(11,436,706)</u>	<u>(4,295,000)</u>
At the end of the reporting period	<u>19,020,203</u>	<u>3,553,864</u>

Units are of equal value and unit holders are entitled to share in the income of ASCF #1 Fund in proportion to their unit holding. Upon liquidation each unit holder is entitled to a pro rata share of the Funds net assets.

**ASCF #1 FUND**  
**ARSN: 616367410**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**b. Capital Management**

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

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

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

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

**Note 10 Cash Flow Information**

	6 Months to 31 Dec 2018	6 Months to 31 Dec 2017
	\$	\$
<b>Reconciliation of profit/(loss) attributable to unitholders with net cash provided by operating activities</b>		
– Profit/(loss) for the half-year	546,249	89,054
– (increase)/decrease in income in advance	(130,489)	6,671
– increase/(decrease) in trade creditors	93,399	-
– increase/(decrease) in prepayments	54,822	-
– increase/(decrease) in GST	(10,401)	(2,230)
– increase/(decrease) in Income Receivable	(170,240)	5,007
– increase/(decrease) in Loans Advanced	(4,897,122)	(2,376,400)
Net cash provided by operating activities	<u>(4,513,782)</u>	<u>(2,277,898)</u>

**Note 11 Events After the Reporting Period**

There have been no matters or circumstances since current period end not otherwise dealt with in the interim financial statements that have significantly affected or may significantly affect the Fund.

**Note 12 Related Party Transactions**

The Fund's main related parties are as follows:

**a. Entities controlled by the Fund**

The Responsible Entity of ASCF #1 Fund is Australian Secure Capital Fund Ltd.

**b. Key Management Personnel:**

The directors of the Responsible Entity at Note 12(a) are considered to be Key Management Personnel of the Fund. The following directors of the Responsible Entity were in office during the period and up to the date of the report:

Richard John Taylor

Kosta Nicholas Giovanos

Filippo Sciacca

**c. Other related parties**

Other related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP, individually or collectively with their close family members.

**ASCF #1 FUND**  
**ARSN: 616367410**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

**Other related parties**

Performance Fees are paid to the Responsible Entity for the management of the Loans and Investors. The performance fee is calculated and payable monthly. The Performance Fee is calculated as the balance of the Fund's returns after the payment of all Fixed Interest Payments to investors and other expenses of the Fund. Total performance fees paid in the 31 December 2018 half-financial year equate to \$640,980 (31 December 2017: \$82,458).

There is an unsecured loan from the Responsible Entity for \$15,650 in relation to Auditing fees paid by the Responsible Entity at 31st December 2018. (30 June 2018: \$9,050).

There is an unsecured loan from ASCF #2 Fund for \$15,700 in relation to loan repayments & fees repaid by borrowers at 31 December 2018. (30 June 2018: \$15,700).

**Note 13 Key Management Personnel Unitholdings**

An associate of Key Management Personnel of Filippo Sciacca held units in the Fund as follows:

	<b>6 Months to 31 Dec 2018</b>	<b>6 Months To 31 Dec 2017</b>
	<b>\$</b>	<b>\$</b>
Opening Investments by Related Parties	295,000	-
Investments Placed by Related Parties During the half-year	-	145,000
Redemptions Paid to Related Parties During the half-year	-	-
Investments in the Fund at Balance Date	295,000	145,000
Distributions Received by Related Parties from the Fund	11,385	2,408

Except as disclosed above, no key management personnel have entered into any transactions with the Fund during the period and there were no material balances involving key management personnel's interests outstanding at period end.

**Note 14 Financial Risk Management**

**Introduction**

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

**Risk Management Structure**

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

**Risk Measurement and Reporting System**

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

**Risk Mitigation**

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

**ASCF #1 FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**Excessive Risk**

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or loans and advances are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions

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

**Market Risk**

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

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

The Fund is not materially exposed to movements in interest rates as Loans Receivable and Unitholders Funds are on fixed interest terms, with only minimal cash and cash equivalents on variable interest rates.

**Credit Risk - Loans**

Credit risk is the risk that a borrower will cause a financial loss for the Fund, by failing to discharge an obligation (loan default). The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The compliance plan only allows loans to borrowers at a maximum loan to valuation ratio of 80%. Valuers are selected from a panel approved by the board of directors of the Responsible Entity that meet strict criteria.

The Fund minimises concentrations of credit risk in relation to Loans Receivable by undertaking transaction with a large number of customers within the specified category.

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

**Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its short-term payment commitments as they fall due.

Mortgage loans are relatively illiquid compared to some other assets classes and delays may occur in converting these investments into cash. This may affect distributions and/or redemptions to investors. The Responsible Entity minimises liquidity risk by holding a percentage of the total assets of the Fund in liquid investments, such as cash. The Funds policy is to hold a minimum of 10% of assets in liquid investments. Quarterly and annual cashflow forecasting is also used to help monitor future cash flow requirements.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cashflows. Units are redeemed at the end of the investment term in line with the product disclosure statement. The Directors do not envisage that the contractual maturity disclosed in the table will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

**ASCF #1 FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

<b>As at June 2018</b>	<b>Less than 1 month \$</b>	<b>1-6 Months \$</b>	<b>6-12 months \$</b>	<b>1-2 years \$</b>
Withholding Tax Payable	-	5,237	-	-
Unsecured Liabilities	-	24,750	-	-
Unpaid Unitholder Distributions	-	71,470	-	-
Performance Fees Payable	-	-	-	-
Net assets attributable to unitholders	-	3,625,000	9,538,854	750,010
	-	<u>3,726,457</u>	<u>9,538,854</u>	<u>750,010</u>

<b>As at December 2018</b>	<b>Less than 1 month \$</b>	<b>1-6 Months \$</b>	<b>6-12 months \$</b>	<b>1-2 years \$</b>
Withholding Tax Payable	-	1,628	-	-
Unsecured Liabilities	-	31,350	-	-
Unpaid Unitholder Distributions	108,287	-	-	-
Performance Fees Payable	-	93,399	-	-
Net assets attributable to unitholders	-	13,719,193	3,890,000	1,411,010
	<u>108,287</u>	<u>13,845,570</u>	<u>3,890,000</u>	<u>1,411,010</u>

**Note 15 Fair Value Measurements**

**Fair value hierarchy**

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

*Valuation techniques*

The Fund selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Fund are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

**ASCF #1 FUND**  
**ARSN: 616367410**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Fund gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**Loans and Receivables**

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

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

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

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

**Note 16 Net Assets Attributable to Unitholders**

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	6 Months to 31 Dec 2018 No.	6 Months to 31 Dec 2018 \$	6 Months to 31 Dec 2017 No.	6 Months to 31 Dec 2017 \$
Opening Balance	13,913,864	13,913,864	1,520,010	1,520,010
Applications	16,543,045	16,543,045	6,328,854	6,328,854
Redemptions net of amounts rolled over	<u>(11,436,706)</u>	<u>(11,436,706)</u>	<u>(4,295,000)</u>	<u>(4,295,000)</u>
Closing Balance	<u>19,020,203</u>	<u>19,020,203</u>	<u>3,553,864</u>	<u>3,553,864</u>

As stipulated within the fund's constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes on units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed at the end of the investment term inline with the product disclosure statement, however, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

**ASCF #1 FUND**  
**ARSN: 616367410**  
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of ASCF #1 Fund, the directors of the Responsible Entity declare that:

1. the interim financial statements and notes, present fairly the fund's financial position as at 31 December 2018 and its performance for the half-year ended on that date in accordance with the Coporations Act 2001, including, including:
  - a Giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
  - b Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting*; and
2. There are reasonable grounds to believe that the fund will be able to pay its debts as and when they become due and payable.

Director



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Richard John Taylor

Dated this      15      day of              March              2019



# Independent Auditor's Review Report

## To the Members of ASCF #1 Fund

### Report on the review of the half year financial report

#### Qualified conclusion

Except for the effect, if any, on the comparatives for the preceding corresponding period that may result from the qualification in the paragraph below, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of ASCF #1 Fund (the Scheme) does not present fairly, in all material respects, the financial position of the Scheme as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

#### Basis for qualified conclusion

As this is the first year that the Scheme is required to prepare an half year financial report and have it reviewed, the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, cash flow statement, a description of accounting policies and other selected explanatory notes for the preceding corresponding period have not been reviewed or audited. Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information for the period ended 31 December 2017. We have, however, audited the financial report for the preceding financial year ended 30 June 2018 and therefore our review statement is not qualified in respect of the comparative information for the year ended 30 June 2018 included in the statement of financial position.

#### Directors' responsibility for the half year financial report

The Directors of the Scheme are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ASCF #1 Fund ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

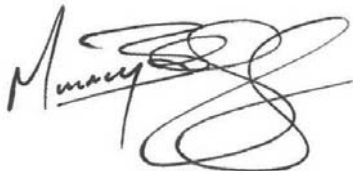
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M C Bragg  
Partner – Audit & Assurance

Brisbane, 15 March 2019