ASCF #2 FUND

ARSN: 616367330

Financial Report For The Year Ended 30 June 2019

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The directors of Australian Secure Capital Fund Ltd (the 'Responsible Entity'), the Responsible Entity of ASCF #2 Fund (the 'Fund'), submit their report together with the financial report of the Fund for the year ended 30 June 2019.

Directors

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

Richard John Taylor
Kosta Nicholas Giovanos
Filippo Sciacca

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

Review of Operations

Revenue of $5,911,095 less expenses of $2,909,302 resulted in a distribution to Unitholders of $3,001,793 (2018: $835,149)

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activity of the Fund during the year was the provision of regular monthly income through a selection of investments in short-term registered first and second 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 year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company 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 of 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 year are disclosed in note 12 of the financial statements.

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

The number of interests in the Fund held by the responsible entity or its associates as at the 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 year are disclosed in note 16 of the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position 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 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			
Dated this	1st	day of	October	2019

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Auditor's Independence Declaration

To the Directors of ASCF #2 Fund

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of ASCF #2 Fund for the year ended 30 June 2019, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M C Bragg
Partner – Audit & Assurance

Brisbane, 1 October 2019

ASCF #2 FUND
ARSN: 616367330
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue			
Interest income		5,764,063	1,476,788
Total Revenue		5,764,063	1,476,788
Other Income			
Management Fees		147,032	71,125
Total other income		147,032	71,125
Total revenue and other income		5,911,095	1,547,913
Expenses			
Legal & Compliance Fees		(39,792)	(8,358)
Performance Fees		(2,867,254)	(698,786)
Other expenses		(2,256)	(5,620)
Total Expenses		(2,909,302)	(712,764)
Operating profit/(loss)		3,001,793	835,149
Finance Costs Attributed to Shareholders			
Distributions to Unit Holders	2	(3,001,793)	(835,149)
Profit/(loss) for the year		-	-
Other Comprehensive Income			
Total other comprehensive income		-	-
Total comprehensive income attributable to unitholders		-	-

The accompanying notes form part of these financial statements.

ASCF #2 FUND
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	2,189,698	851,273
Loans Receivable	5	44,802,288	19,971,949
Other Receivables	6	146,889	91,615
TOTAL CURRENT ASSETS		47,138,875	20,914,837
TOTAL ASSETS		47,138,875	20,914,837
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	981,885	636,054
Borrowings	8	16,775	9,050
TOTAL CURRENT LIABILITIES		998,660	645,104
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		998,660	645,104
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS-LIABILITY		46,140,215	20,269,733

The accompanying notes form part of these financial statements.

ASCF #2 FUND
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
Total equity at the beginning of the period		-	-
Profit/(Loss) for the year		-	-
Other comprehensive income for the period		-	-
Transactions with unitholders in their capacity as owners		-	-
Total equity at the end of the financial year		-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classifed 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 #2 FUND
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Borrower interest repayments		5,572,354	1,498,488
Interest received on cash		47,703	-
Management fees on mortgages		184,064	17,059
Other operating expenses		(42,048)	(13,978)
Performance Fees Paid to the Responsible Entity		(2,631,218)	(556,025)
Loans Advanced to Borrowers		(42,141,250)	(25,249,432)
Loans Repaid by Borrowers		17,615,775	5,750,800
Net cash provided by operating activities	10	(21,394,620)	(18,553,088)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		(3,160,862)	(672,323)
Advances from/(Repayments to) Responsible Entity		7,725	(11,804)
Advances from/(Repayments to) Related Parties		15,700	-
Unitholders Funds Received from Investors		87,559,341	34,133,471
Unitholders Funds Paid to Investors		(61,688,859)	(14,198,748)
Net cash inflow from financing activities		22,733,045	19,250,596
Net increase/(decrease) in cash held		1,338,425	697,508
Cash and cash equivalents at beginning of financial year		851,273	153,765
Cash and cash equivalents at end of financial year	4	2,189,698	851,273

The accompanying notes form part of these financial statements.

The financial statements cover the economic entity of ASCF #2 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 financial statements were authorised for issue on 1st October 2019 by the directors of the responsible entity.

The registered office of the Responsible Entity is Suite 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 Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International 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 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 financial statements have been prepared in accordance with the same accounting policies adopted in the Fund’s last 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 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 year ended 30 June 2019. 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 accessed 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 (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

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 (i.e. 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 entity'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 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

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 ommitted 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; and
- the business model for managing the financial asset 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 financial instruments 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 to the documented risk management or investment strategy and information about the groupings was documented appropriately, so the performance of the financial liability that was part of a trust of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract

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 liability 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 position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. 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 the following criteria need to be satisfied for derecognition of a financial asset:

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

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 investments 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 ('ECL') 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 if:

— 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; and
— there is no significant increase in credit risk since initial recognition, the fund measure 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 in every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

— trade receivables; and
— lease receivables

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 (i.e. depending on the diversity of its customer base, appropriate groupings of its historical loss experience, etc.).

Purchased or originated credit impaired approach

For a financial asset that is considered to be credit impaired (not on acquisition or originations), 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.

Evidence of credit impairment includes:

— significant financial difficulty of the issuer or borrower;
— a breach of contract (e.g. default or past due event);
— where a lender has granted to the borrower a concession, due to borrower's financial difficulty, that the lender would not otherwise consider;
— it is probable the borrower will enter bankruptcy or other financial reorganisation; and
— the disappearance of an active market for the financial asset because of financial difficulties.

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 that it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such 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; and
— adverse changes in economic and business conditions in the longer term, may, but not necessarily, 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 lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Impairment of loans receivable

Shortfalls on the amount invested in mortgage investments are borne by Fund investors as ordinary investment risk.

For impairment provisioning purposes, the Responsible Entity allocates all mortgage investments into three distinct classifications: performing, under-performing and non-performing. In assessing the classification of mortgage investments the Responsible Entity has defined a default as the point in time it forms a view that the principal loan balance owed to the Fund on any loan receivable will not be repaid in full and has assessed the risk of such default in determining the categorisation of each loan.

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

Performing

The Fund collectively assesses ECLs on exposures, where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Fund recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. Expected shortfalls (credit losses) are forecast based on historical loss experience for a 12-month period, the loan to valuartion ratio, security location and borrower exit stratergy. The Fund assesses loans monthly and does not provide mortgage investments with terms greater than 12 months. Since inception the Fund has not incurred a charge nor provisioned for a loss and the principal of all loans have been recovered in full. The Fund also considers forward looking information to address whether the historical loss rate is inconsistent with expectations taking into account future economic conditions such as unemployment rates, inflation, interest rates and other macro-economic data both nationally and internationally.

Under-Performing

The Fund collectively assesses ECL's on exposures where there has been a significant deterioration in credit risk since initial recognition but are not credit impaired. The Fund classifies a mortgage investment as underperfoming when the following occurs:

i) they are in arrears and interest greater than 30 days is outstanding
ii) the Fund has received no notice of refinance of the mortgage investment or sale of the secured property and
iii) have not been assessed for provisioning.

The Fund will conduct an individual assessment on under-performing loans and the the increase in credit risk is not, of itself, an event that could have detrimental impact on future cash flows. The Fund does not hold mortgage investments with an initial term greater than 12 months.

Non-Performing

The fund identifies individually, ECLs on those exposures that are assessed as credit impaired based on objective evidence of impairment. The Fund estimates loss provisioning on a non-performing categorised investment when there are quantitative or qualitative factors indicating that an individual mortgage investment may be impaired. The provision is determined as the expected shortfall between the outstanding balance and the mortgage security after accounting for cost of realisation.

Quantitative factors that trigger the Fund to assess the potential specific impairment of mortgages include:

i) in arrears and interest greater than 90 days is outstanding;
ii) the Fund has received no notice of refinance of the mortgage investment or sale of the secured property; and
iii) an assessment has been made that as at the date of the assessment the Responsible Entity forms the view that the principal loan amount owed to the Fund on any loan receivable will not be repaid in full.

Qualitative factors that trigger the Fund to assess the potential specific impairment of mortgages include:

i) the nature and substance of communication with borrowers in arrears; and
ii) assessment of past performance of similar loans, including characteristics such as collateral location, loan purpose and exit strategy.

Determining the stage for impairment

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

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

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

Credit quality of loans receivable

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

Inputs, assumptions and techniques used for estimating impairment

In assessing the impairment of loans receivable under the ECL model, the Fund defines default generally when the Responsible Entity (Australian Secure Capital Fund Ltd) forms the view that it is unlikely that the principal loan amount owed to the fund on any loan receivable will be repaid in full.

Recognition of expected credit losses in financial statements

At each reporting date, the fund recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

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

In assessing these risks, the directors rely on readily available information such as loan to valuation ratios (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.

Financial instruments accounting policy applicable to the comparative period (30 June 2018)

Previously the Fund impaired financial assets and liabilities in accordance with the following policy:

At the end of each reporting period, the directors would assess whether there is objective evidence that a financial asset had been impaired. A financial asset (or a group of financial assets) was deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which would have an impact on the estimated future cash flows of the financial asset(s).

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Fund recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(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 recognition (including interest 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. Management fees are recognised as revenue as services are provided.

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

(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 financial year.

(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 fund assesses impairment under the ECL model by evaluating the conditions and events specific to the fund that may be indicative of credit loss triggers. Recoverable amounts of relevant financial assets are assessed in accordance with key assumptions outlined in note 1(b).

No impairment has been recognised in respect of loans receivable for the period ended 30 June 2019.

(h) Redeemable Units

All redeemable units issued by the Fund provide investors with the right to require redemption for cash. The Funds 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.

Note 2 Unitholders' Distributions

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

	2019	2018
	$	$
Distributions paid during the period	3,001,793	835,149
	3,001,793	835,149

Note 3 Auditor's Remuneration

	2019	2018
	$	$
Remuneration of the auditor of the fund for:		
- auditing or reviewing the financial statements	13,223	7,500
- Audit of Compliance Plan	2,258	2,050
	15,481	9,550

Note 4 Cash and Cash Equivalents

	2019	2018
CURRENT	$	$
Cash at bank	2,189,698	851,273
	2,189,698	851,273

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 financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2019	2018
	$	$
Cash at bank	2,189,698	851,273
	2,189,698	851,273

Note 5 Loans Receivable

	2019	2018
	$	$
CURRENT		
Loans Receivable	44,249,808	19,718,632
Loan Interest Receivable	552,480	237,617
Loan - ASCF #1 Fund	-	15,700
Total loans receivable	44,802,288	19,971,949

a. Financial Commitments

The Fund has the following undrawn Loans Receivable commitments

	2019	2018
	$	$
Approved Loans Receivable	44,249,808	21,738,632
Less: Loans Receivable Drawn Down	(44,249,808)	(19,718,632)
Undrawn Loan Commitment	-	2,020,000

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:

	30 Jun 2019	30 Jun 2019	30 Jun 2018	30 Jun 2018
	No.	$	No.	$
Loan to Valuation Ratio 70 - 80%	41	19,098,500	15	10,374,702
Loan to Valuation Ratio 61 - 70%	21	13,893,750	9	6,421,500
Loan to Valuation Ratio 51 - 60%	9	6,698,000	4	1,142,500
Loan to Valuation Ratio 41 - 50%	8	2,885,700	3	555,000
Loan to Valuation Ratio 25 - 40%	7	1,513,858	7	1,174,930
Loan to Valuation Ratio <25%	2	160,000	1	50,000
	88	44,249,808	39	19,718,632

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 at 30 June 2018, the fund had no Loans Receivable that had been classified as impaired.

As at 30 June 2019, the fund had no Loans Receivable that had been classified as impaired.

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.

Aged Assets Analysis

An analysis of the outstanding principal relating to mortgage investments which are past due is detailed below:

	Notes	30 Jun 2019 $ No of Loans	30 Jun 2019 $ $	30 Jun 2018 $ No of Loans	30 Jun 2018 $ $
Not impaired but past due:					
Performing					
- 31 - 90 days		5	6,161,250	3	555,000
- 91 - 180 days		1	640,000	1	336,693
- 181 + days		4	1,344,107	1	70,000
- Mortgage in possession		-	-	-	-
Past due but performing		10	8,145,357	5	961,693
Under-performing					
- 31 - 90 days		-	-	-	-
- 91 - 180 days		3	892,000	-	-
- 181 + days		2	384,000	-	-
- Mortgage in possession		-	-	-	-
Past due and under-performing		5	1,276,000	-	-
Total non impaired but past due		15	9,421,357	5	961,693
Impaired and past due:					
Non-performing					
- 31 - 90 days		-	-	-	-
- 91 - 180 days		-	-	-	-
- 181 + days		-	-	-	-
- Mortgage in possession		-	-	-	-
Total impaired and past due		-	-	-	-
Total past due		15	9,421,357	5	961,693

Only loans and receivables that are past due in excess of 30 days are assessed and allocated into the above three categories. Of the above past due loans, four loans amounting to $2,641,000 have been repaid subsequent to year end.

Note 6 Other Receivables

	Note	2019 $	2018 $
CURRENT			
GST Receivable		65,108	21,700
Loan Management Fees Receivable		71,220	69,915
Legal & Marketing Fees Receivable		10,561	-
		146,889	91,615

Note 7 Trade and Other Payables

	Note	2019 $	2018 $
CURRENT			
Sundry payables		3,738	4,782
Performance fees payable		488,402	194,255
Unpaid fund distributions		-	158,025
Interest Received in Advance		454,230	278,992
Management Fees Received in Advance		35,515	-
	7a	981,885	636,054

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

	2019 $	2018 $
Trade and other payables		
- Total current	981,885	194,255

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

Note 8 Borrowings

	Note	2019 $	2018 $
CURRENT			
Unsecured liabilities			
Loan - Australian Secure Capital Fund Ltd		16,775	9,050
TOTAL BORROWINGS		16,775	9,050

Note 9 Issued Units

a. Units on Issue

The Fund has authorised 46,140,215 (30 June 2018: 20,269,733) units on issue at $1 each amounting to $46,140,215 (30 June 2018: $20,269,733).

	2019 No.	**2018 No.**
Number of fully paid units		
At beginning of the reporting period	20,269,733	335,010
Units issued during the year	87,559,341	34,133,471
Units redeemed during the year	(61,688,859)	(14,198,748)
At the end of the reporting period	46,140,215	20,269,733

Units are of equal value and unit holders are entitled to share in the income of ASCF #2 Fund in proportion to their unit holding. Upon liquidation each unit holder is entitled to a pro rata share of the fund's net assets.

b. Capital Management

Management controls the capital of the fund to ensure that adequate cash flows are generated to fund its lending protfolio programs and that returns from investments are maximised. The board ensures that the overall risk management statergy 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

	2019 $	2018 $
Reconciliation of profit attributable to unitholders with net cash provided by operating activities		
– Profit/(loss) for the year	3,001,793	835,149
– (increase)/decrease in loans receivable	(24,846,039)	(19,498,632)
– (increase)/decrease in other receivables	(55,274)	(316,963)
– increase/(decrease) in trade and other payables	504,900	427,358
	(21,394,620)	(18,553,088)

Note 11 Events After the Reporting Period

Apart from the below events, there have been no other matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the fund:

In response to changes to the reporting requirements surrounding credit risk and impairment provisions, the Responsible Entity has established a discretionary Investor Reserve account to be used for the sole benefit of Investors. The Investor Reserve is held by the Responsible Entity and does not form part of the Fund's assets. The Responsible Entity contributes to the Investor Reserve out of the management income on a cash received basis each month with the contribution rate being at its sole discretion.

The decision to use money held in the Investor Reserve is at the sole discretion of the Responsible Entity. The funds may be used to cover impairments and capital losses incurred on individual mortgage investments for any fund in respect of which it acts as the Responsible Entity.

In this instance an impairment would be offset by the recognition of charge offs against investment management fees due to the Responsible Entity. The charge offs are crystallised as a reduction in investment management fees at the same time as the shortfall on the investment is crystallised. This would then be funded from the Investor Reserve maintained by Australian Secure Capital Fund Ltd to offset credit risk.

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 #2 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 (KMP) 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.

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:

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 30 June 2019 financial year equate to $2,867,254 (12 months to 30 June 2018: $698,786).

There is an unsecured loan from the Responsible Entity for $16,775 in relation to Auditing fees paid by the Responsible Entity at 30 June 2019. (30 June 2018: $9,050).

Note 13 Key Management Personnel Unitholdings

Associates of Key Management Personnel of Filippo Sciacca, Kosta Giovanos & Richard Taylor held units in the Fund as follows:

	2019 $	2018 $
Opening Investments by Related Parties	5,760,023	300,000
Investments Placed by Related Parties During the Year	15,591,804	5,958,023
Redemptions Paid to Related Parties During the Year	(17,354,092)	(498,000)
Investments in the Fund at Balance Date	3,997,735	5,760,023
Distributions Received by Related Parties from the Fund	531,559	392,737

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.

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 transactions with a large number of customers within the specified category.

Note 5 refers to an aged analysis of the credit risk assessment of loans past due but performing, past due and underperforming and impaired and past due. 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. There has not been an allowance recognised for expected credit losses on these financial assets.

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 maintains a policy to minimise liquidity risk by holding assets of the Fund in liquid investments such as cash. 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 inline 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.

As at June 2018	**Less than 1 month**	**1-6 Months**	**6-12 months**	**1-2 years**
	$	**$**	**$**	**$**
Oustanding Accounts	-	-	-	-
Withholding Tax Payable	-	4,782	-	-
Unsecured Liabilities	-	9,050	-	-
Unpaid Unitholder Distributions	158,025	-	-	-
Net assets attributable to unitholders	-	11,434,723	3,336,000	5,499,010
	158,025	11,448,555	3,336,000	5,499,010

As at June 2019	**Less than 1 month**	**1-6 Months**	**6-12 months**	**1-2 years**
	$	**$**	**$**	**$**
Outstanding Accounts	-	488,402	-	-
Withholding Tax Payable	-	3,739	-	-
Unsecured Liabilities	-	16,775	-	-
Unpaid Unitholder Distributions	-	-	-	-
Net assets attributable to unitholders	-	24,959,805	14,334,100	6,846,310
	-	25,468,721	14,334,100	6,846,310

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.

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 expected credit losses of Loans Receivable is a reasonable approximation of their fair values. The allowance for expected credit losses 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:

	30 June 2019 No.	30 June 2019 $	30 June 2018 No.	30 June 2018 $
Opening Balance	20,269,733	20,269,733	335,010	335,010
Applications	87,559,341	87,559,341	34,133,471	34,133,471
Redemptions net of amounts rolled over	(61,688,859)	(61,688,859)	(14,198,748)	(14,198,748)
Closing Balance	46,140,215	46,140,215	20,269,733	20,269,733

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 #2 FUND
ARSN: 616367330
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of ASCF #2 Fund, the directors of the trustee company declare that:

1. the financial statements and notes, present fairly the fund's financial position as at 30 June 2019 and its performance for the year ended on that date in accordance with the Coprorations Act 2001, including, including:

2. in the director's opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
3. Note 1 confirms that the financial statements comply with international Financial Reporting Standards as issued by the International Accounting Standards Board.

Director

Richard John Taylor

Dated this 1st day of October 2019

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Independent Auditor's Report

To the Members of ASCF #2 Fund

Report on the audit of the financial report

Opinion

We have audited the financial report of ASCF #2 Fund (the Scheme), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Scheme's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Scheme's report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Grant Thornton

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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*. The Directors' responsibility also includes 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 of the Responsible Entity 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M C Bragg
Partner – Audit & Assurance

Brisbane, 1 October 2019