

A silhouette of a person running on a pier or walkway. The person is wearing a long-sleeved jacket and pants. The background shows a sunset over a body of water, with the sun low on the horizon, creating a warm, orange glow. The pier has a wooden railing with horizontal slats.

# FINANCIAL REPORT 2020

Murdoch Clarke Mortgage Fund - ARSN 093 255 559

# FINANCIAL REPORT 2020

The following statements, comprising the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes, have been prepared by Murdoch Clarke Mortgage Management Limited and have been audited by Wise Lord & Ferguson.



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Murdoch Clarke Mortgage Fund  
ARSN: 093 255 559

Responsible Entity:  
Murdoch Clarke Mortgage Management Limited

ABN 84 115 958 560  
Australian Financial Services Licence Number 296758  
Australian Credit Licence Number 296758

## DIRECTORS REPORT

The Directors of Murdoch Clarke Mortgage Management Ltd, ABN 84 115 958 560, AFSL 296758, the Responsible Entity of the Murdoch Clarke Mortgage Fund, submit their report for the Fund for the year ended 30 June 2020.

### DIRECTORS

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are:

**Damian Francis Egan**, BEc, LLB,  
MAICD, FTIA, Chairman of the Board

**Paul Kuzis**, BCom, LLB

**Rebecca Sandra Reid**, BA LLB

**Benjamin Scott Swain**, LLB

**Luke Nicholas Golding**, BCom, LLB

**Benn Rex Dance**, BCom, LLB

The Directors were in office from the beginning of the year until the date of this report, unless otherwise stated.

All the Directors of the Responsible Entity are non-executive Directors.

No emoluments are received by the directors of the Responsible Entity other than declared dividends on any shares in the Responsible Entity that they may hold.

### PRINCIPAL ACTIVITIES

The principal activity of the Fund during the year was to invest funds in accordance with the provisions of the Fund's Product Disclosure Statement and Constitution.

The general investment policy of the Fund is to invest primarily in loans secured by first mortgages over real estate predominantly in Tasmania.

There has been no significant change in the nature of this activity during the year.

## SCHEME INFORMATION

Murdoch Clarke Mortgage Fund is an Australian registered scheme. Murdoch Clarke Mortgage Management Ltd, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at 10 Victoria Street, Hobart, Tasmania, 7000.

### REVIEW & RESULTS OF OPERATIONS

The net operating income of Murdoch Clarke Mortgage Fund for the year ended 30 June 2020 was \$9,195,896 (2019: \$8,333,944). There were no material changes in the operation of the Fund during the financial year ended 30 June 2020.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes to the state of affairs of the Fund during the year.

### SIGNIFICANT EVENTS AFTER BALANCE DATE

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect the Fund's operations in future financial years, the results of those operations or the Fund's state of affairs in future financial years.

As a result of the evolving nature of the COVID-19 outbreak, and the rapidly evolving government policies and restrictive measures put in place to contain it, as at the date of these financial statements the Fund is not in a position to reasonably estimate the financial effects of the COVID-19 outbreak on the future financial performance and financial position of the Fund.

## LIKELY DEVELOPMENTS & EXPECTED RESULTS

The investment strategy of the Fund will be maintained in accordance with the Fund's Constitution and investment objectives.

The investment strategy of the Fund was consistent with the prior financial year.

## INDEMNIFICATION & INSURANCE OF DIRECTORS & OFFICERS

During the financial year, the Responsible Entity paid a premium insuring the Directors and Officers of the Responsible Entity against liabilities incurred as a Director or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Fund or Responsible Entity has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Fund or Responsible Entity or of any related body corporate against a liability incurred as such an Officer or Auditor.

# AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received the following declaration from the Auditor of the Murdoch Clarke Mortgage Fund.

## **Auditors Independence Declaration to the Directors of Murdoch Clarke Mortgage Management Ltd as Responsible Entity of the Murdoch Clarke Mortgage Fund**

In relation to our audit of the financial report of Murdoch Clarke Mortgage Fund for the year ended 30 June 2020, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



**J DOYLE**  
PARTNER  
WISE LORD & FERGUSON

Dated: 28 September 2020

Signed in accordance with a resolution of the Directors



**Mr Damian Francis Egan, Chairman**  
Hobart



**Mr Paul Kuzis, Director**  
Hobart

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2020

|  | NOTES | 2020<br>\$        | 2019<br>\$        |
|--|-------|-------------------|-------------------|
| <b>REVENUE</b>   |       |                   |                   |
| Interest Revenue   | 2     | 12,222,417        | 10,825,216        |
| <b>TOTAL REVENUE</b>   |       | <b>12,222,417</b> | <b>10,825,216</b> |
| <b>EXPENSES</b>  |       |                   |                   |
| Responsible Entity Fees                                      | 3     | 2,553,115         | 2,035,482         |
| Auditors Remuneration  | 10    | 14,168            | 12,023            |
| Other Expenses   |       | 459,238           | 443,767           |
| <b>TOTAL EXPENSES</b>  |       | <b>3,026,521</b>  | <b>2,491,272</b>  |
| Net Operating Income From Ordinary Activities                |       | <b>9,195,896</b>  | <b>8,333,944</b>  |
| Less Distributions Paid and Payable                          | 4     | <b>9,195,896</b>  | <b>8,333,944</b>  |
| <b>TOTAL OTHER COMPREHENSIVE INCOME</b>                      |       | -                 | -                 |
| <b>UNDISTRIBUTED INCOME AT THE END OF THE FINANCIAL YEAR</b> |       | -                 | -                 |

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES TO ACCOUNTS.

# BALANCE SHEET

## AS AT 30 JUNE 2020

|   | NOTES | 2020<br>\$         | 2019<br>\$         |
|---|-------|--------------------|--------------------|
| <b>ASSETS</b>   |       |                    |                    |
| Cash Deposits   | 9(b)  | 83,905,040         | 55,025,222         |
| Receivables   | 5     | 596,226            | 1,585,031          |
| Loans & Advances  | 6     | 162,169,652        | 167,503,761        |
| <b>TOTAL ASSETS</b>   |       | <b>246,670,918</b> | <b>224,114,014</b> |
| <b>LIABILITIES</b>  |       |                    |                    |
| Payables  | 7     | 410,941            | 542,987            |
| Distribution Payable  |       | 2,116,771          | 2,297,914          |
| <b>TOTAL LIABILITIES (EXCLUDING<br/>LIABILITIES TO INVESTORS)</b> |       | <b>2,527,712</b>   | <b>2,840,901</b>   |
| <b>NET ASSETS ATTRIBUTABLE TO<br/>INVESTORS – LIABILITY</b>       | 8     | <b>244,143,206</b> | <b>221,273,113</b> |
| <b>NET ASSETS</b>   |       | -                  | -                  |

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES TO ACCOUNTS.

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2020

|   | NOTES | 2020<br>\$        | 2019<br>\$          |
|---|-------|-------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |       |                   |                     |
| Interest Received   |       | 13,192,159        | 10,233,573          |
| GST Paid  |       | (70,241)          | (49,741)            |
| Responsible Entity Fees Paid                                |       | (2,685,161)       | (1,944,255)         |
| Other Receipts/(Payments)                                   |       | (384,102)         | (431,788)           |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>             | 9(a)  | <b>10,052,655</b> | <b>7,807,789</b>    |
| <b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>     |       |                   |                     |
| Net Proceeds From (Payments For) Loans and Advances         |       | 5,334,109         | (44,088,453)        |
| <b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b> |       | <b>5,334,109</b>  | <b>(44,088,453)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |       |                   |                     |
| Receipts From Investors                                     |       | 129,757,705       | 94,029,685          |
| Payments To Investors                                       |       | (113,696,583)     | (64,889,634)        |
| Income Distributions To Investors                           |       | (2,568,068)       | (2,256,617)         |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>             |       | <b>13,493,054</b> | <b>26,883,434</b>   |
| <b>NET INCREASE/(DECREASE) IN CASH</b>                      |       | <b>28,879,818</b> | <b>(9,397,230)</b>  |
| Cash At Beginning Of Year                                   |       | 55,025,222        | 64,422,452          |
| <b>CASH AT END OF YEAR</b>                                  | 9(b)  | <b>83,905,040</b> | <b>55,025,222</b>   |

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES TO ACCOUNTS.

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2020

|   | NOTES | 2020<br>\$ | 2019<br>\$ |
|---|-------|------------|------------|
| Opening Balance                             |       | -          | -          |
| Undistributed Income For The Financial Year |       | -          | -          |
| <b>CLOSING BALANCE</b>                      |       | -          | -          |

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES TO ACCOUNTS.

# NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 1. Notes

### a. *Basis of Accounting*

The financial report is a general purpose financial report, which has been prepared in accordance with the Fund's Constitution and the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical cost, except for the valuation of investments in financial assets, which are valued at fair value or amortised cost. Cost is based on the fair values of consideration given in exchange for assets.

#### ***Adoption of New and Revised Accounting Standards and Interpretations.***

The Fund has adopted all new and revised Accounting Standards and Interpretations in the current year.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting periods and have not been adopted by the Fund. There are no standards that are not yet effective and would be expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

### b. *Statement of Compliance*

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

### c. *Portfolio Valuation*

#### ***Financial Assets***

Loans and Advances are valued at fair value. Deposits at call are classified as Cash Deposits and are valued at fair value.

#### ***Financial Liabilities***

Liabilities are recognised for amounts payable in the future for goods and services received, whether or not billed to the Fund.

### d. *Investment Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Specific revenues are recognised as follows:

#### ***Interest Revenue***

Interest on deposits on call is recognised in accordance with the terms and conditions that apply to the deposit on an accruals basis.

Interest on mortgages is recognised on an accruals basis throughout the term of the loan.

### e. *Cash Assets*

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes deposits held at call with a bank or financial institution.

### f. *Receivables*

Receivables include amounts where settlement has not yet occurred. Interest is accrued at the reporting date from the time of the last payment. Amounts are generally received within 30 days of being recorded as receivables.

**g. Payables**

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund and include distributions payable. The carrying period is dictated by market conditions and is generally less than 30 days.

- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each investor are identical in all respects.

**h. Taxation**

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

Expenses incurred by the Fund are recognised at their GST exclusive amount. Amounts recognised as receivables and payables are recognised at their GST inclusive amount. Reduced input tax credits recoverable by the Fund from the ATO are recognised as receivables.

**i. Distributions**

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to investors. Distributions are payable at the end of each quarter. Such distributions are determined by reference to the operating income of the Fund.

**j. Terms And Conditions On Investors**

Each interest issued confers upon the investors an equal interest in the Fund. An investor does not have any interest in any particular asset or investment of the Fund. Investors have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their interests redeemed,
- receive income distributions,
- attend and vote at meetings of investors, and

## 2. Interest Revenue

|                        | 2020<br>\$        | 2019<br>\$        |
|------------------------|-------------------|-------------------|
| Cash Deposits          | 1,903,868         | 1,947,023         |
| Loans And Advances     | 10,318,549        | 8,878,193         |
| Total Interest Revenue | <b>12,222,417</b> | <b>10,825,216</b> |

## 3. Responsible Entity Fees

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Management Fees       | 2,553,115        | 2,035,482        |
| Total Management Fees | <b>2,553,115</b> | <b>2,035,482</b> |

## 4. Distributions Paid Or Provided For

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| - For The Quarter Ended 30 September | 2,405,517        | 1,893,927        |
| - For The Quarter Ended 31 December  | 2,324,266        | 2,004,784        |
| - For The Quarter Ended 31 March     | 2,298,951        | 2,089,906        |
| - For The Quarter Ended 30 June      | 2,167,162        | 2,345,327        |
| Total Distributions                  | <b>9,195,896</b> | <b>8,333,944</b> |

## 5. Receivables

|  |                |                  |
|--|----------------|------------------|
| Interest Receivable - Loans And Advances | 270,564        | 1,126,852        |
| Interest Receivable - Cash Deposits      | 280,731        | 394,186          |
| Other Receivables                        | 44,931         | 63,993           |
| Total Other Assets                       | <b>596,226</b> | <b>1,585,031</b> |

## 6. Loans And Advances

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Maturity Analysis        |                    |                    |
| Due Within 3 Months      | 162,169,652        | 167,503,761        |
| Total Loans And Advances | <b>162,169,652</b> | <b>167,503,761</b> |
| Average Balances In Year | 164,170,071        | 138,929,915        |
| Average Interest Rate    | 6.29%              | 6.39%              |
| Total Interest Earned    | 10,318,549         | 8,878,193          |

## 7. Payables

|                                   | 2020           | 2019           |
|-----------------------------------|----------------|----------------|
| Amounts Due To Responsible Entity | 410,941        | 542,987        |
| Other                             | -              | -              |
| <b>Total Payables</b>             | <b>410,941</b> | <b>542,987</b> |

## 8. Investors Transactions

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Opening Value                 | 221,273,113        | 186,536,925        |
| Deposits Made During The Year | 139,793,543        | 98,502,615         |
| Withdrawals During The Year   | (116,923,450)      | (63,766,427)       |
| <b>Closing Value</b>          | <b>244,143,206</b> | <b>221,273,113</b> |

## 9. Statements Of Cash Flows

(a) Reconciliation of net operating income from ordinary activities to the net cash flows from operations

|  |                   |                  |
|--|-------------------|------------------|
| Net Operating Income From Ordinary Activities                  | 9,195,896         | 8,333,944        |
| (Increase)/Decrease In Receivables                             | 988,805           | (617,380)        |
| Increase/(Decrease) In Expenses Payable                        | (132,046)         | 91,225           |
| <b>Net Cash Flow Provided / (Used) by Operating Activities</b> | <b>10,052,655</b> | <b>7,807,789</b> |

(b) Reconciliation Of Cash

Cash Balance Comprises:

|               |            |            |
|---------------|------------|------------|
| Cash Deposits | 83,905,040 | 55,025,222 |
|---------------|------------|------------|

(c) Non-cash Financing And Investing Activities

Non-cash financing and investing activities carried out during the year on normal commercial terms and conditions included:

|  |           |           |
|--|-----------|-----------|
| Reinvestment Of Investor Distributions | 6,630,507 | 5,473,723 |
|--|-----------|-----------|

## 10. Auditors Remuneration

Amounts received or due and receivable by Wise Lord & Ferguson as auditors of the Fund:

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Audit And Review Of Financial Reports | 14,168        | 12,023        |
| <b>Total</b>                          | <b>14,168</b> | <b>12,023</b> |

## 11. Related Party Information

The names of persons who were Directors of the Responsible Entity (RE) at any time during the financial year are as follows:

Mr Damian Francis Egan

Mr Paul Kuzis

Ms Rebecca Sandra Reid

Mr Benjamin Scott Swain

Mr Luke Nicholas Golding

Mr Benn Rex Dance

### a. Responsible Entity

Murdoch Clarke Mortgage Management Ltd was appointed to act as Responsible Entity from 1 July 2006.

| Responsible Entity Fees  | 2020<br>\$       | 2019<br>\$       |
|--|------------------|------------------|
| Management Fees  | 2,553,115        | 2,035,482        |
| Expenses incurred on behalf of the Fund by the Responsible Entity and reimbursed by the Fund | -                | -                |
| <b>Total</b>   | <b>2,553,115</b> | <b>2,035,482</b> |

The responsible entity, Murdoch Clarke Mortgage Management Ltd, is entitled to receive a fee of up to 2.20% GST inclusive of the total value of assets of the fund as stated in the product disclosure statement. The rate paid to the responsible entity was 1.1% (2019: 1.1%) GST inclusive. The management fees are deducted from the income of the Fund. There are no other fees, commissions, benefits or advantages derived by the Responsible Entity in connection with the management of the Fund.

The Responsible Entity holds no interests in the Fund.

### b. Key Management Personnel

The Directors of the Responsible Entity, as listed above, are the key management personnel of that entity. The Responsible Entity and its directors are considered the key management personnel of the scheme. No emoluments of any kind are received by the directors of the RE other than declared dividends on any shares in the RE that they may hold. The RE receives no remuneration except for the fees listed above. The Scheme does not employ personnel in its own right however the Responsible Entity does have six employees (2019: 4).

### c. Transactions With Related Parties

There were no transactions with Related Parties during the year ended 30 June 2020, other than investments held by Directors and Director Related Entities which were conducted on the same terms and conditions as all other investors in the Fund.

### d. Directors Interests In The Fund

Movement In Investments Of Directors And Director Related Entities

|   | 2020<br>\$       | 2019<br>\$       |
|---|------------------|------------------|
| Opening Interest                          | 1,479,027        | 1,137,718        |
| Deposits                                  | 734,035          | 1,259,025        |
| Withdrawals                               | (1,108,762)      | (917,716)        |
| <b>Total Investments Held At Year End</b> | <b>1,104,300</b> | <b>1,479,027</b> |

### e. Loans To Directors

There were no loans to Directors or Director Related Entities from the Murdoch Clarke Mortgage Fund as at 30 June 2020 or during the year then ended.

All related party transactions are conducted on normal commercial terms and conditions.

## 12. Financial Reporting By Segments

The Fund operates in one business segment, being investment activities. The Fund also operates from one geographical location being Tasmania, from where its investing activities are managed.

## 13. COVID-19/Subsequent Events

As a result of the evolving nature of the COVID-19 outbreak, and the rapidly evolving government policies and restrictive measures put in place to contain it, as at the date of these financial statements the Fund is not in a position to reasonably estimate the financial effects of the COVID-19 outbreak on the future financial performance and financial position of the Fund.

Other than this disclosure, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in subsequent financial periods.

## 14. Financial Instruments

### Overview

The Fund's assets principally consist of financial instruments which comprise non quoted fixed interest investments and loans secured by first mortgage. It holds these assets at the discretion of the Responsible Entity in accordance with its investment strategy. The objective of these investments is to provide relatively secure investments together with a competitive return of income.

The allocation of assets as between the various types of financial instruments is determined by the Responsible Entity which manages the Fund's portfolio of assets to achieve the Fund's investment objectives. The composition of the portfolio is monitored by the Responsible Entity on a daily basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- Market Risk
- Credit Risk
- Liquidity Risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks and the Fund's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Board has established a Management Committee which is responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities.

The Management Committee meets regularly, usually weekly, to monitor the Fund's asset allocation and performance as well as review loan applications and attend to the management of the Fund generally.

### a. Market Risk

Market Risk represents the risk that a financial instrument's value will fluctuate as a result of changes in market prices such as foreign exchange rates (currency risk), interest rates (interest rate risk), and property values (property market price risk). The Fund is not exposed to currency risk as all financial instruments are held in Australian Dollars.

#### (i) Interest Rate Risk

Interest rate risk is the risk that a financial

instrument's value will fluctuate as a result of changes in market interest rates.

The majority of the Fund's financial assets are held in interest bearing assets that are expected to mature within twelve months or in financial assets that reset to the prevalent market interest rate on a monthly or quarterly basis. As a result the Fund is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The Fund's interest rate risk is managed continuously in accordance with policies and procedures in place by:

- ensuring the Fund has an asset allocation that provides for the effective management of interest rate and associated liquidity risk,
- the approach to managing investment of funds to ensure that there is adequate matching of the duration of assets with the likely duration of investors' funds, and
- monitoring the effect upon yield and liquidity of probable movements in interest rates.

The Fund's exposure to interest rate risk is depicted in the tables on pages 17 and 18.

### Interest Rate Sensitivity

An increase of 25 basis points in interest rates for the distribution period ending on the reporting date would have increased the amount available for distribution by \$152,171 (2019: \$137,917). A decrease of 25 basis points would have had an equal but opposite effect.

## 14. Financial Instruments Continued

|                                      | Non-Interest Bearing, | Floating Interest Rate | Fixed Interest Rate Maturing In 1 Year Or less | Fixed Interest Rate Maturing In 1 To 3 Years | Carrying Amount Per Balance Sheet | Aggregate Net Fair Value | Weighted Average Effective Interest Rate |
|--------------------------------------|-----------------------|------------------------|--|--|-----------------------------------|--------------------------|--|
| <b>2020 FINANCIAL ASSETS</b>         |                       |                        |  |  |                                   |                          |  |
| Cash Deposits                        | -                     | -                      | 83,905,040                                     | -  | 83,905,040                        | 83,905,040               | 1.50%                                    |
| Receivables                          | 596,226               | -                      | -  | -  | 596,226                           | 596,226                  | Non-Interest Bearing                     |
| Loans And Advances                   | -                     | 162,169,652            | -  | -  | 162,169,652                       | 162,169,652              | 6.12%                                    |
| <b>Total Financial Assets</b>        | <b>596,226</b>        | <b>162,169,652</b>     | <b>83,905,040</b>                              | <b>-</b>                                     | <b>246,670,918</b>                | <b>246,670,918</b>       |  |
| <b>FINANCIAL LIABILITIES</b>         |                       |                        |  |  |                                   |                          |  |
| Trade And Other Payables             | 410,941               | -                      | -  | -  | 410,941                           | 410,941                  | Non-Interest Bearing                     |
| Net Assets Attributable to Investors | -                     | 244,143,206            | -  | -  | 244,143,206                       | 244,143,206              | 3.49%                                    |
| <b>Total Financial Liabilities</b>   | <b>410,941</b>        | <b>244,143,206</b>     | <b>-</b>                                       | <b>-</b>                                     | <b>244,554,147</b>                | <b>244,554,147</b>       |  |

The Fund's financial assets and liabilities included in the Balance Sheet are carried at fair value or amortised cost. Refer to note 14(d) for the methods and assumptions adopted in determining net fair values.

## 14. Financial Instruments Continued

|                               | Non-Interest Bearing | Floating Interest Rate | Fixed Interest Rate Maturing In 1 Year Or less | Fixed Interest Rate Maturing In 1 To 3 Years | Carrying Amount Per Balance Sheet | Aggregate Net Fair Value | Weighted Average Effective Interest Rate |
|-------------------------------|----------------------|------------------------|--|--|-----------------------------------|--------------------------|--|
| <b>2019 FINANCIAL ASSETS</b>  |                      |                        |  |  |                                   |                          |  |
| Cash Deposits                 | -                    | -                      | 55,025,222                                     | -  | 55,025,222                        | 55,025,222               | 2.98%                                    |
| Receivables                   | 1,585,031            | -                      | -  | -  | 1,585,031                         | 1,585,031                | Non-Interest Bearing                     |
| Loans And Advances            | -                    | 167,503,761            | -  | -  | 167,503,761                       | 167,503,761              | 6.62%                                    |
| <b>Total Financial Assets</b> | <b>1,585,031</b>     | <b>167,503,761</b>     | <b>55,025,222</b>                              | <b>-</b>                                     | <b>224,114,014</b>                | <b>224,114,014</b>       |  |

## FINANCIAL LIABILITIES

|                                      |                |                    |          |          |                    |                    |                      |
|--------------------------------------|----------------|--------------------|----------|----------|--------------------|--------------------|----------------------|
| Trade And Other Payables             | 542,987        | -                  | -        | -        | 542,987            | 542,987            | Non-Interest Bearing |
| Net Assets Attributable to Investors | -              | 221,273,113        | -        | -        | 221,273,113        | 221,273,113        | 4.50%                |
| <b>Total Financial Liabilities</b>   | <b>542,987</b> | <b>221,273,113</b> | <b>-</b> | <b>-</b> | <b>221,816,100</b> | <b>221,816,100</b> |                      |

The Fund's financial assets and liabilities included in the Balance Sheet are carried at fair value or amortised cost. Refer to note 14(d) for the methods and assumptions adopted in determining net fair values.

## 14. Financial Instruments Continued

### (ii) *Property Market Price Risk*

Property market price risk is the risk that adverse movements in the market value of a property could result in financial loss to the Fund.

The objective of property market price risk management is to ensure that movements in the market value of individual properties mortgaged to the Fund do not result in financial loss to the Fund in the event of default by the borrower.

The Responsible Entity manages property market price risk by strict application of the Mortgage Lending Policy, which forms part of its investment policies. The maximum thresholds for loan to valuation ratios stipulated in the Mortgage Lending Policy are the principal mode of property market price risk management.

The Responsible Entity continually monitors general property market price trends and activity as well as local issues affecting specific geographical areas.

### b. *Credit Risk*

Credit risk represents the risk that a counter-party will fail to perform contractual obligations under a contract.

The Fund's maximum credit risk exposure at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Balance Sheet. Credit risk exposure for receivables reflects the underlying credit risk inherent in the Fund.

These risks are managed through the credit policies implemented by the fund. There is no concentration of credit risk in any particular industry or market segment; however all but a few mortgaged properties are within the State of Tasmania.

The Fund's cash assets are invested with Australian Authorised Deposit-taking Institutions and in pooled mortgage schemes regulated by the Corporations Act and are operated by responsible entities which hold Australian Financial Services Licences approved by the Responsible Entity in accordance with the Fund's investment strategy.

### c. *Liquidity and Cash Flow Risk*

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities as and when they fall due. The Fund's liquidity risk is managed on a daily basis in accordance with the Investment Policy.

## 14. Financial Instruments Continued

The following are contractual maturities of the Fund's financial instruments:

|                                      | On Call            | Less Than 1 Month | 1 - 3 Months         | Greater Than 3 Months |
|--------------------------------------|--------------------|-------------------|----------------------|-----------------------|
| <b>2020 FINANCIAL ASSETS</b>         |                    |                   |                      |                       |
| Cash Deposits                        | 34,905,040         | 9,000,000         | 26,500,000           | 13,500,000            |
| Receivables                          | -                  | 596,226           | -                    | -                     |
| Loans And Advances                   | 162,169,652        | -                 | -                    | -                     |
| <b>Financial Liabilities</b>         |                    |                   |                      |                       |
| Trade And Other Payables             | -                  | (410,941)         | -                    | -                     |
| Net Assets Attributable To Investors | -                  | -                 | (244,143,206)        | -                     |
| <b>Net Financial Exposure</b>        | <b>197,074,692</b> | <b>9,185,285</b>  | <b>(217,643,206)</b> | <b>13,500,000</b>     |

### 2019 FINANCIAL ASSETS

|                                      |                    |                   |                      |                   |
|--------------------------------------|--------------------|-------------------|----------------------|-------------------|
| Cash Deposits                        | 10,025,222         | 15,000,000        | 8,500,000            | 21,500,000        |
| Receivables                          | -                  | 1,585,031         | -                    | -                 |
| Loans And Advances                   | 167,503,761        | -                 | -                    | -                 |
| <b>Financial Liabilities</b>         |                    |                   |                      |                   |
| Trade And Other Payables             | -                  | (542,987)         | -                    | -                 |
| Net Assets Attributable To Investors | -                  | -                 | (221,273,113)        | -                 |
| <b>Net Financial Exposure</b>        | <b>177,528,983</b> | <b>16,042,044</b> | <b>(212,773,113)</b> | <b>21,500,000</b> |

#### d. Net Fair Values

The carrying amounts of assets and liabilities of the Fund generally approximated fair value because of the short term to maturity.

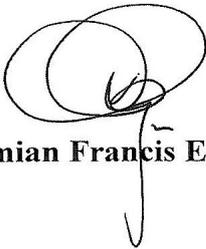
# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Murdoch Clarke Mortgage Management Ltd as Responsible Entity for the Fund, we state that:

In the opinion of the Directors :

- (a) the financial statements and notes of the Fund are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the Fund's financial position as at 30th June 2020 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the provisions of the Fund's Constitution.

On behalf of the Board  
Murdoch Clarke Mortgage Management Ltd.



**Mr Damian Francis Egan, Chairman**  
Hobart



**Mr Paul Kuzis, Director**  
Hobart

Hobart

Dated: 28 September 2020



## Independent auditors report to the members of Murdoch Clarke Mortgage Fund

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Murdoch Clarke Mortgage Fund (the Fund), which comprises the statement of financial position as at 30 June 2020, the statement of 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 Murdoch Clarke Mortgage Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

Liability limited by a scheme approved under Professional Standards Legislation.

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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 for the Financial Report

The directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund'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 Fund or to cease operations, or have no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Funds activities to express an opinion on the financial report. We are responsible for direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



JOANNE DOYLE

Partner

Wise Lord & Ferguson

Date: 28 SEPTEMBER 2018.



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Murdoch Clarke Mortgage Fund  
ARSN: 093 255 559

Responsible Entity:

Murdoch Clarke Mortgage Management Limited

ABN 84 115 958 560

Australian Financial Services Licence Number 296758

Australian Credit Licence Number 296758