

**Millbrook Mortgage Fund  
(Formerly AF&L Direct Mortgage Fund)**

**ARSN 125 042 480**

**Annual report for the financial year ended  
30th June 2018**

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## **Directors' Report**

The directors of Millbrook Mortgage Management Ltd, the Responsible Entity of the Scheme, submit the annual financial report of Millbrook Mortgage Fund for the financial year ended 30th June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows :

### **Information about the directors**

The names of the directors of the Responsible Entity during or since the ended of the financial year are :

- David Lyall (appointed 15th November 2017)
- Robert Norman (resigned 22nd November 2017, re-appointed 12th February 2018)
- Simon Hardie (appointed 22nd November 2017)
- Timothy Oliver (appointed 15th November 2017, resigned 22nd January 2018)
- Laurence Best (resigned 15th November 2017)
- Geoffrey Werner (resigned 15th November 2017)

The above named directors held office during the whole of the financial year and since the end of the financial year except for the appointments and/or resignations disclosed above.

### **Principal activities**

The Scheme is a registered management investment scheme domiciled in Australia.

The principal activity of the Scheme during the financial year is to act as an umbrella mortgage investment scheme under which there were sub-schemes of individual mortgage investments. The Scheme invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement and in accordance with the provisions of the Constitution.

There has been no significant change in the activities of the Scheme during the financial year. The Scheme did not have any employees during the financial year.

### **Review of Operations**

The Scheme has expanded the scale of its operations in the current financial year.

### **Results**

The net profit after tax amounted to \$Nil (2017 : \$Nil)

### **Changes in state of affairs**

During the financial year there was no significant change in the state of affairs of the Scheme.

### **Subsequent events**

No matters or circumstances have arisen since the end of the financial year which will significantly affect the Scheme, its results, or the state of its affairs of the Scheme in future financial years.

**Future developments**

The Scheme will continue to be managed in accordance with the provisions of its Constitution. Future results will accordingly depend on the performance of the markets to which the Scheme is exposed. Further details of likely future developments in the operations of the Scheme, and the expected results of those operations in future financial years, have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Scheme.

**Indemnification of officers and auditors**

During the financial year, the Responsible Entity paid premiums to insure the directors and secretary of the Responsible Entity under a Directors and Officers Insurance policy. Further disclosure of information relating to this policy is not permitted under the contract of insurance.

As long as the officers of the Responsible Entity act in accordance with the Scheme's Constitution and the law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme.

The Responsible Entity has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

**Scheme Information**

Fees paid to the Responsible Entity out of scheme property during the financial year \$237,276 (2017 \$153,035)

Interests in the Scheme issued during the year \$6,388,180 (2017 : \$9,093,812)

Withdrawals from the Scheme during the year \$6,358,692 (2017 : \$1,657,141)

Provision for loan impairment at year end \$Nil (2017 : \$Nil).

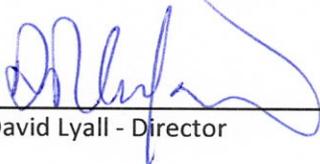
Value of scheme assets at year end \$15,354,605 (2017 : \$15,325,117)

**Auditor's independence declaration**

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is included in the annual report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity, Millbrook Mortgage Management Ltd



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David Lyall - Director

Date : 26 November 2018.

## Auditor's independence declaration

As lead auditor for the audit of Millbrook Mortgage Fund for the year ended 30th June 2018, I declare that to the best of my knowledge and belief, there have been :

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'Roslyn Buzza', with a horizontal line extending to the right.

Roslyn Buzza

Chartered Accountant

14th September 2018

Unit 4, 42-46 Peninsula Boulevard, Seaford, Vic 3198.

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF MILLBROOK MORTGAGE FUND**

I have audited the accompanying financial report of Millbrook Mortgage Fund (the 'Scheme') which comprises the statement of financial position as at 30th June 2018, the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors Responsibility for the Financial Report*

The directors of Millbrook Mortgage Management Ltd, the responsible entity of the Scheme, 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101; *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF MILLBROOK MORTGAGE FUND (Continued)**

*Independence*

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Millbrook Mortgage Management Ltd, the responsible entity of the Scheme, would be in the same terms if provided to the directors as at the time of this auditor's report.

*Audit Opinion*

In my opinion :

a) the financial report of the Millbrook Mortgage Fund is in accordance with the *Corporations Act 2001*; including :

(i) giving a true and fair view of the Scheme's financial position as at 30th June 2018 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001* ; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Roslyn Buzza

Chartered Accountant

Unit 4, 42-46 Peninsula Boulevard, Seaford, Vic, 3198

Date: 29th November 2018

**Millbrook Mortgage Fund**  
**ARSN 125 042 480**

**Responsible Entity's Directors' Declaration**

The directors of Millbrook Mortgage Management Ltd, Responsible Entity of the Millbrook Mortgage Fund (the Scheme) declare that:

1. The financial statements and notes of the 'Scheme' as set out in pages 9 to 24, are in accordance with *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards and the Corporation Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30th June 2018 and of the performance for the year ended on that date of the scheme.
2. These financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.
3. In the directors' opinion there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of the Millbrook Mortgage Management Ltd



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David Lyall : Director

Dated : 26 November 2018

**Statement of profit or loss and other comprehensive income  
for the year ended 30th June 2018**

	Note	2018 \$	2017 \$
Interest and fee revenue		<u>1,332,350</u>	<u>952,644</u>
Expenses from ordinary activities			
Agent commissions		49,176	43,428
Management and other fees paid to Responsible Entity		188,100	109,606
Total expenses		<u>237,276</u>	<u>153,034</u>
Profit from operating activities		<u>1,095,074</u>	<u>799,610</u>
Finance costs			
Distributions to scheme participants		1,095,074	799,610
Total finance costs		<u>1,095,074</u>	<u>799,610</u>
Net profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>-</u></u>	<u><u>-</u></u>

**Statement of financial position  
as at 30th June 2018**

	Note	2018 \$	2017 \$
<b>Assets</b>			
Cash and liquid assets		269,394	379,070
Mortgage loans	4	15,354,605	15,325,117
Total assets		<u>15,623,999</u>	<u>15,704,187</u>
<b>Liabilities</b>			
Trade and other payables		269,394	379,070
Total liabilities (excluding net assets attributable to Scheme Participants' Accounts - liability)		<u>269,394</u>	<u>379,070</u>
Net assets attributable to Scheme Participants Accounts - liability	5	<u>15,354,605</u>	<u>15,325,117</u>

**Statement of changes in equity**  
for the year ended 30th June 2018

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

**Statement of cash flows  
for the year ended 30th June 2018**

	Note	2018 \$	2017 \$
<b>Cash Flows from Operating Activities</b>			
Interest and fees received		1,193,186	952,644
Responsible Entity fees paid		(184,074)	(106,284)
Administrative expenses paid		(4,026)	(3,322)
Agent trailer expenses paid		(49,176)	(43,428)
Net Cash provided (used) by Operating Activities		<u>955,910</u>	<u>799,610</u>
<b>Cash Flows from Investing Activities</b>			
Funds (invested) in mortgage loans		(10,408,900)	(9,148,671)
Funds redeemed from mortgage loans		10,379,412	1,712,000
Cash Flows (used in) Investing Activities		<u>(29,488)</u>	<u>(7,436,671)</u>
<b>Cash Flows from Financing Activities</b>			
Members' applications		6,361,471	9,093,812
Members' redemptions		(6,358,692)	(1,657,141)
Distributions paid		(1,097,853)	(799,610)
Cash Flows from (used in) Financing Activities		<u>(1,095,074)</u>	<u>6,637,061</u>
Net increase/(decrease) in Cash Held		(109,676)	213,768
Cash at beginning of financial year		379,070	165,302
Cash at end of financial year	6	<u>269,394</u>	<u>379,070</u>

## **Notes to the financial statements for the year ended 30th June 2018**

### **1. Summary of Significant Accounting Policies**

#### **Reporting Entity**

Millbrook Mortgage Fund (the 'Scheme') is a registered managed investment scheme under the *Corporations Act 2001*. The Scheme is a for-profit entity. The financial statements are for the year ended 30th June 2018.

#### **Basis of Preparation**

##### *Statement of Compliance*

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

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

The financial statements have been prepared on an accruals basis and are based on historical costs.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for some financial assets and participants' balances.

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

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

**(a) Financial Instruments**

**Recognition and Initial Measurement**

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

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

**Classification and Subsequent Measurement**

*i. Financial assets at fair value through profit and loss*

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

*ii. Loans and receivables*

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

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

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

*iii. Financial liabilities*

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

### **Impairment**

At each reporting date, the Responsible Entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the profit or loss.

### **Derecognition**

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

### **Offsetting**

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

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

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

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

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

### **(c) Cash and Cash Equivalents**

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

### **(c) Income Tax**

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

## **(e) Income and Expenses**

### **Income**

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

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

### **Expenses**

Expenses are brought to account on an accruals basis.

Mortgage loan related expenses are brought to account on an accruals basis.

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

In accordance with the Scheme Constitution and Product Disclosure Statement, the Responsible Entity is entitled to receive a management fee as the Single Responsible Entity. This fee is calculated and paid monthly. The Responsible Entity is also entitled to receive a fee equal to the difference between the standard and penalty rates payable by a borrower, should a borrower be in default of the loan under the loan documentation. It is also entitled to receive any additional interest payable by a borrower should a loan be discharged early. The amount paid is disclosed as Responsible Entity Fees in the Profit or Loss.

## **(f) Participants' Accounts and Distributions**

### **Participants' Accounts**

Investors in the Scheme have the right to make a request to redeem funds from their Participant Account. This right to redeem gives rise to Participants' Accounts being classified as a financial liability. However, the Scheme will remain an illiquid Scheme under the Corporations Act 2001. An investor will not be able to withdraw from the investment unless the Scheme is considered liquid in accordance with the Corporations Act 2001 or a suitable investor is able to replace the investor wishing to withdraw.

### **Distributions**

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

**(g) Goods and Services Tax**

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

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

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

**(h) Trade and Other Payables**

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at reporting date. The distribution amount payable to Participants as at reporting date is recognised separately on the Statement of Financial Position as Participants are presently entitled to the distributable income as at 30 June 2018 under the Scheme's Constitution.

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

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

**(j) Comparative Figures**

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

**(k) Accounting standards issued but not yet effective and not been adopted early by the Scheme**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Scheme. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

**AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)**

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 mandatory date of application is annual reporting periods beginning on or after 1 January 2018.

The directors have assessed the impact of AASB 9 on the Funds financial statements. Given no debt instruments are held by the scheme, 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 is not expect to have a significant impact on the recognition and measurement of the scheme's financial instruments.

The derecognition rules have not been changed from the previous requirements, and the scheme does not apply hedge accounting.

The Scheme has not yet decided when to adopt AASB 9.

**AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2018)**

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Scheme's main source of income is interest which is outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Scheme's accounting policies or the amounts recognised in the financial statements.

**Notes to the financial statements  
for the year ended 30th June 2018**

	2018	2017
	\$	\$
<b>Note 2. Interest Income</b>		
Mortgage loans	<u>1,332,350</u>	<u>952,644</u>

**Note 3. Distributions**

The distributions paid or payable by the Scheme in respect of the financial year

<u>1,095,074</u>	<u>799,610</u>
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**Note 4. Mortgage Loans**

Mortgage loans	<u>15,354,605</u>	<u>15,325,117</u>
Opening balance	15,325,117	7,888,446
New mortgage loans	10,408,900	9,148,671
Mortgage loans repaid	(10,379,412)	(1,712,000)
Closing balance	<u>15,354,605</u>	<u>15,325,117</u>

**Note 5. Scheme Participants' Accounts**

Opening balance	15,325,117	7,888,446
Applications	6,388,180	9,093,812
Redemptions	(6,358,692)	(1,657,141)
Closing balance	<u>15,354,605</u>	<u>15,325,117</u>

	2018	2017
	\$	\$
<b>Note 6. Cash flow information</b>		
(a) Reconciliation of cash. For the purposes of the Statement of Cash Flows cash includes cash on hand and at bank.	269,394	379,070
<b>(b) Reconciliation of Cash flow from Operations with Net Profit</b>		
Profit from operating activities	1,095,074	799,610
Changes in Assets and Liabilities		
(Increase) decrease in Receivables	(29,488)	-
Increase (decrease) in Payables	(109,676)	213,768
Net cash provided by Operating Activities	<u>955,910</u>	<u>1,013,378</u>

(c) Non-cash financing and investment activities

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

**Note 7. Related party transactions**

The Responsible Entity of the Scheme is Millbrook Mortgage Management Limited (MMM)

**Key Management Personnel**

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

**Related Party Remuneration**

(b) Responsible Entity Fees

Fees paid by the Scheme to the Responsible Entity amounted to \$188,100 (2017: \$109,606). All fees are paid in accordance with the Scheme Constitution and Product Disclosure Statement.

**Other Related Party Transactions**

(c) The following transactions occurred between the related entities: The Scheme has no investment in Millbrook Mortgage Management Ltd or its associates.

From time to time directors of MMM, or their director related entities, may invest or withdraw from the Scheme. These transactions are on the same terms and conditions as those entered into by all Scheme participants and are trivial in nature. At reporting date, director related entities held investments of \$908,000 (2017: \$292,500).

**Note 8. Financial risk management.**

The Scheme maintains positions in a variety of non-derivative financial instruments as dictated by the Scheme's investment strategy. The Scheme's financial assets include bank deposits and direct first mortgage investments, which are usually held for specific periods of time.

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

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

Management reports are provided to the Board on investment performance, mortgage defaults and arrears rates.

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

	2018	2017
	\$	\$
<b>Financial and other assets</b>		
Cash and cash equivalents	269,394	379,070
Mortgage loans	15,354,605	15,325,117
<b>Total financial assets</b>	<u>15,623,999</u>	<u>15,704,187</u>
<b>Financial liabilities</b>		
Trade and Other Payables	269,394	379,070
Participants' Accounts	15,354,605	15,325,117
<b>Total financial liabilities</b>	<u>15,623,999</u>	<u>15,704,187</u>

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

**(a) Market Risk**

Market risk embodies the potential for losses and gains and includes currency risk, interest rate risk and price risk. As the underlying security for the Scheme's mortgage investments is real property, this market can have an effect on the Scheme's assets if a claim on the security is required. The Responsible Entity manages the Scheme's exposure to market risks in accordance with the investment strategy. Market risk is minimised by the selection of high quality service providers, prudent loan to valuation ratios (**LVR**) and short lending periods.

As all investments are held for specific investors, the market risks related to each specific investment are borne by the investor. The Scheme's exposure to currency risk, interest rate risk and price risk are set out below.

**Currency Risk**

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

**Price Risk**

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

**Note 8. Financial risk management (continued)**

**Interest rate risk**

The Scheme holds the following financial instruments :

	Interest Rate %	Floating Interest Rate \$	Fixed Interest Within 1 year \$	Rate Maturing Within 1 - 5 Years \$
<b>2018</b>				
<b>Financial assets (net of impairment where applicable)</b>				
Cash		269,394	-	-
Loan and advances	1.5% to 9.5%	139,071	15,215,534	-
<b>Financial liabilities (net of impairment where applicable)</b>				
Investor funds	1.5% to 9.5%	139,071	15,215,534	-
Payables		269,394	-	-
<b>2017</b>				
<b>Financial assets (net of impairment where applicable)</b>				
Cash		379,070	-	-
Loan and advances	2.25% to 15.95%	1,652,404	13,672,713	-
<b>Financial liabilities (net of impairment where applicable)</b>				
Investor funds	2.25% to 14.00%	1,652,404	13,672,713	-
Payables		379,070	-	-

**Net fair values**

The net fair value of assets and liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where carrying amounts exceed net fair values have not been written down as the principal intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements

**Note 9. Contingent Liabilities and Contingent Assets**

The Scheme does not have any contingent liabilities or contingent assets.

**Note 10. Events subsequent to reporting date**

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Scheme, its results, or the state of its affairs in future years.

**Note 11. Scheme details.**

The Responsible Entity of the Scheme is Millbrook Mortgage Management Ltd (formerly AF&L First Mortgages Limited.)

The registered office and principal place of business of the Responsible Entity and the Scheme is :

Millbrook Mortgage Management Ltd  
Level 9, 30 Collins Street, Melbourne 3000.

**Note 12. Auditor's Remuneration**

Auditor remuneration in relation to the Scheme is paid by the Responsible Entity and as such is not included in the expenses in the Profit or Loss Statement.

	2018	2017
	\$	\$
Auditors' remuneration		
Audit or review of financial reports	5,000	5,000
Other services (compliance services)	-	-
	<u>5,000</u>	<u>5,000</u>