The Direct Mortgage Managed Investment Scheme
ARSN 095 540 659

ANNUAL FINANCIAL REPORT
for the year ended 30 June 2019

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Responsible Entity's Directors' Report

The Directors of Tidswell Financial Services Ltd (ABN 55 010 810 607), the Responsible Entity of The Direct Mortgage Managed Investment Scheme (**the Scheme**), submit their report for the Scheme, the annual financial statements and the auditor's report for the year ended 30 June 2019.

RESPONSIBLE ENTITY

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

Michael John Terlet AO	Non-Executive Director - Chairman	Appointed 19 April 1991
Ronald Peter Beard	Executive Director	Appointed 20 August 2012
Fiona McNabb	Non-Executive Director	Appointed 29 September 2017
Stephen Miller	Non-Executive Director	Appointed 29 September 2017
Andrew Peterson	Executive Director	Appointed 20 March 2018
Andre Morony	Non-Executive Director	Appointed 21 August 2018 - Resigned 28 August 2018

PRINCIPAL ACTIVITIES

The Direct Mortgage Managed Investment Scheme is an authorised investment of The Tidswell Investment Plan (**the Plan**) and has been established as a separate registered Managed Investment Scheme pursuant to the requirements of the Australian Securities & Investments Commission (**ASIC**) and is domiciled in Australia.

The Scheme is open to participants of The Tidswell Investment Plan only as at the date of the constitution. To become an Underlying Participant in the Scheme, an applicant must first become a participant of the Plan. The Scheme may be offered to other participants in the future.

In the Direct Mortgage Managed Investment Scheme, investors choose the underlying mortgage investments they wish to participate in by viewing a Supplementary Product Disclosure Statement.

The investment objective of the Scheme is to provide a fixed rate of interest over a fixed term. The Scheme invests in loans that are secured by First Mortgages registered with the relevant state land titles office over the security property offered for the loan.

The Scheme did not have any employees during the year.

There has been no significant change in the nature of those activities during the financial year.

REVIEW AND RESULTS OF OPERATION

Due to the nature of the Scheme, whereby Participants have their own specific allocation of investments, the results of each participant are reported individually. The overall return of the Scheme as a whole returned 9.39% (2018: 9.36%), calculated as the net income earned by all participants as a percentage of the total average daily balance of all participant accounts, for the operating period.

DISTRIBUTIONS

It is the normal practice of the Scheme to distribute the interest received for specific mortgages in the month following receipt to the underlying participant accounts within the Tidswell Investment Plan.

Distributions paid or payable by the Scheme in respect of the financial year were:

	2019 ($)
Distributions paid during July	130,907
Distributions paid during August	149,165
Distributions paid during September	156,433
Distributions paid during October	2,661
Distributions paid during November	141,508
Distributions paid during December	61,712
Distributions paid during January	88,414
Distributions paid during February	150,619
Distributions paid during March	331,255
Distributions paid during April	162,625
Distributions paid during May	168,175
Distributions paid and payable for June	229,416
Total	**1,772,890**

UNITS ON ISSUE

Underlying Participants are not allocated Scheme units. Entitlements are instead calculated using each participant holding of a specific mortgage investment as a proportion of total mortgage investment. Contributions to the Scheme during the financial year totalled $12,224,000 (2018: $18,638,000), while withdrawals totalled $19,962,075 (2018: $15,501,025). The closing balance of the Underlying Participants accounts as at 30 June 2019 was $8,850,900 (2018: $16,588,975). The Scheme had total assets valued at $10,300,553 as at 30 June 2019 (2018: $17,150,752). The basis for valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Scheme that occurred during the financial year under review.

LIKELY DEVELOPMENTS

In the opinion of the Responsible Entity there are no other significant likely developments in the state of affairs of the Scheme as at the date of this report.

ENVIRONMENTAL REGULATION

The Scheme's operations are not subject to any significant environmental regulation under Commonwealth, State or Territory legislation.

INTERESTS OF THE RESPONSIBLE ENTITY

Information pertaining to fees paid to TFSL and its associates out of Scheme property, and their holdings is contained in Note 7 to the financial statements.

EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS OR AUDITORS

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

The Scheme has not indemnified any auditor of the Scheme.

During the financial year the Responsible Entity paid premiums in respect of its officers for professional indemnity insurance contracts for the year ended 30 June 2019. The Responsible Entity has paid or agreed to pay in respect of the Scheme, premiums in respect of such insurance contracts for the year ending 30 June 2019. The Scheme reimbursed the Responsible Entity a proportion of the professional indemnity insurance premiums based on the assets of schemes managed by the Responsible Entity. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the directors or officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid have not been included as such disclosure is prohibited under the terms of the contracts.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration is set out on page 6 and forms part of the directors' report for the year ended 30 June 2019.

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

TIDSWELL FINANCIAL SERVICES LTD

ANDREW PETERSON

Director

30 September 2019

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Tidswell Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of The Direct Mortgage Managed Investment Scheme for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Dean Waters

Partner

Melbourne

30 September 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Revenue			
Interest	2	1,870,200	1,374,832
Other Mortgage Loan Related Income		333,934	301,826
Total revenue		**2,204,134**	**1,676,658**
Expenses			
Responsible Entity Fees	7(b)	67,468	99,285
Mortgage Loan Related Expenses		331,404	302,566
General Administration Expenses		19,209	4,827
Bad Debt		13,163	-
Total expenses		**431,244**	**406,678**
Profit from operating activities		**1,772,890**	**1,269,980**
Finance costs attributable to participants			
Distributions to Participants	3	1,772,890	1,269,980
Total finance costs attributable to participants		**1,772,890**	**1,269,980**
Net profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Assets			
Cash and Cash Equivalents	6(a)	1,424,510	3,070,696
Trade and Other Receivables		25,143	115,556
Mortgage Loans	4	8,850,900	13,964,500
Total assets		**10,300,553**	**17,150,752**
Liabilities			
Trade and Other Payables		52,260	163,221
Mortgage Offset Accounts		1,397,393	398,556
Total liabilities (excluding net assets attributable to Participants' Accounts)		**1,449,653**	**561,777**
Net assets attributable to Participants' Accounts - liability	5	**8,850,900**	**16,588,975**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2019

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.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Cash Flows from Operating Activities			
Interest Received		1,922,078	1,309,907
Other Income Received		389,062	300,137
Responsible Entity Fees Paid		(127,076)	(51,685)
Administration Expenses Paid		(414,397)	(372,427)
Net cash inflow from operating activities	6(b)	**1,769,667**	**1,185,932**
Cash Flows from Investing Activities			
Funds (Invested) in First Mortgage Loans		(13,836,000)	(16,713,000)
Funds Redeemed from First Mortgage Loans		18,949,600	16,200,500
Movement in Mortgage Offset Accounts		998,837	(201,247)
Net cash inflow/(outflow) from investing activities		**6,112,437**	**(713,747)**
Cash Flows from Financing Activities			
Members' Applications		12,224,000	18,638,000
Members' Redemptions		(19,962,075)	(15,501,025)
Distributions Paid		(1,790,215)	(1,252,655)
Net cash (outflow)/inflow from financing activities		**(9,528,290)**	**1,884,320**
Net (decrease)/increase in cash and cash equivalents		(1,646,186)	2,356,505
Cash at Beginning of the Financial Year		3,070,696	714,191
Cash at End of the Financial Year	6(a)	**1,424,510**	**3,070,696**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Direct Mortgage Managed Investment Scheme (**the Scheme**) is a registered managed investment scheme under the *Corporations Act 2001*. The Scheme is a for-profit entity. The financial statements of the Scheme are for the year ended 30 June 2019.

These financial statements were authorised for issue by the Board of Directors of the Responsible Entity on 30 September 2019.

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

Subsequent measurement for financial assets are based on the category that the debt instruments are classified under:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVTPL: Assets that do not meet the criteria for amortised cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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.

Expected credit losses (ECL)

i. Loans and receivables

Mortgage Loans, Managed Funds (invested in Direct Mortgages) 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.

From 1 July 2018, the Fund assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends whether there has been a significant increase in credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset

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.

ii. Financial liabilities

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

Impairment

AASB 9 replaces the 'incurred loss" model in AASB 139 with 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under AASB 9, credit losses are recognised earlier than under AASB 139.

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) 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.

(d) 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 PDS, Tidswell Financial Services Ltd (**TFSL**) is entitled to receive a management fee as the Single Responsible Entity. This fee is 0.5% (2018: 0.5%) per annum of the Underlying Participant's Invested Funds calculated monthly. TFSL 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.

The custodian of the Scheme, Sargon CT (former Australian Executor Trustees (SA) Pty Ltd), receives a fee for its services. This fee is either paid directly by the Scheme or paid by the Responsible Entity, and reimbursed by the Scheme when funds are available.

(e) 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, under finance costs, as Distributions to Participants.

(f) 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.

(g) 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 2019 under the Scheme's Constitution.

(h) 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.

Key Judgements

Trade and other receivables include income receivable on mortgage loan investments. Where there is uncertainty in relation to the receipt of this income, judgements are made as to the recoverability of this income. If deemed to be impaired, receivables are reduced by the amount of the impairment and a provision for impairment expense is recognised in the Profit or Loss.

Mortgage loans are subject to credit assessments and security valuations. Valuations are based on fair current market valuation. Where mortgage loan assets are deemed non-accrual, judgements are made as to the recoverability of the loan by assessing the value and future income potential of the security via net present value calculations. Impairment losses are recognised in the Profit or Loss.

(i) Comparative Figures

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

Accounting policies applied until 30 June 2018

The Fund has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Fund's previous accounting policy.

Classification

Until 30 June 2018, the Fund classified its financial instruments in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- financial liabilities.

Management determined the classification of its investments at initial recognition.

Subsequent measurement

The measurement at initial recognition did not change on adoption of AASB 9, see description above.

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method. Financial assets at FVTPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised in profit or loss within other gains/(losses). Financial liabilities were subsequently carried at amortised cost.

Impairment

The Fund assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated

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

AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in AASB 139 with a new model that classifies financial instruments based on the business model within which the financial instruments are managed, and whether the contractual cash flows under the instrument solely represent the payment of principal and interest. It also introduces revised rules around hedge accounting and impairment.

Under AASB 9, financial instruments are classified as:

Amortised cost if the objective of the business model is to hold the financial instruments to collect contractual cash flows only and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI);

Fair value through other comprehensive income if the objective of the business model is to hold the financial instruments both to collect contractual cash flows from SPPI and for the purpose of sale; or

All other financial instruments must be recognised at Fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial instrument as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading. An irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Fund. The adoption has resulted in a change to the classification but not the measurement of financial instruments in the current period. As permitted by AASB 9, the Fund has not elected to restate the comparative period presented.

The adoption of AASB 9 has not had a significant effect on the Fund's accounting policies.

The following table and accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Fund's financial assets and financial liabilities as at 1 July 2018.

	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Financial assets				
Cash and cash equivalents	Loan receivables	Amortised cost	1,424,510	1,424,510
Trade and other receivables	Loan receivables	Amortised cost	25,143	25,143
Mortgages Loans	Loan receivables	Amortised cost	8,850,900	8,850,900
Financial liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	52,260	52,260
Mortgage Offset Accounts	Other financial liabilities	Other financial liabilities	1,397,393	1,397,393

The Fund's loans and receivables were previously classified as loans and receivables under AASB 139. Under AASB 9, loans and receivables are classified as being at amortised cost. Under AASB 9, loans and receivables continue to be measured at amortised cost.

Impairment of financial assets

AASB 9 replaces the 'incurred loss" model in AASB 139 with 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under AASB 9, credit losses are recognised earlier than under AASB 139.

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

AASB 15 Revenue from Contracts with Customers establishes a single revenue recognition using a five-step model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts.

AASB 15 has been applied prospectively by the Fund. The Scheme's main source of income is interest which is outside the scope of the new revenue standard. As a consequence 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 and has not been adopted.

(k) Standards issued but not yet effective

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

Other Standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019.

Management has made an assessment and concluded that none of these are expected to have a material impact on the financial statements.

2. INTEREST INCOME

	30 June 2019 ($)	30 June 2018 ($)
Cash and Cash Equivalents	8,607	5,567
Mortgage Loans	1,861,593	1,369,265
Total	**1,870,200**	**1,374,832**

3. DISTRIBUTIONS

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

Distributions paid during July	130,907	104,321
Distributions paid during August	149,165	103,090
Distributions paid during September	156,433	98,624
Distributions paid during October	2,661	102,605
Distributions paid during November	141,508	114,885
Distributions paid during December	61,712	109,736
Distributions paid during January	88,414	105,241
Distributions paid during February	150,619	90,472
Distributions paid during March	331,255	79,890
Distributions paid during April	162,625	118,855
Distributions paid during May	168,175	123,606
Distributions paid and payable for June	229,416	118,655
Total	**1,772,890**	**1,269,980**

At 30 June 2019, distributions payable relating to June totalled $Nil (2018: $17,325).

4. MORTGAGE LOANS

	30 June 2019 ($)	30 June 2018 ($)
Opening balance	**13,964,500**	**13,452,000**
New Mortgage Loans	13,836,000	16,713,000
Mortgage Loans Repaid	(18,949,600)	(16,200,500)
Closing balance	**8,850,900**	**13,964,500**

5. PARTICIPANTS' ACCOUNTS

Opening balance	**16,588,975**	**13,452,000**
Applications	12,224,000	18,638,000
Redemptions	(19,962,075)	(15,501,025)
Closing balance of Participants' Accounts	**8,850,900**	**16,588,975**

Capital Risk Management

The Scheme considers its capital to be Participants' Accounts. The Scheme manages its net assets attributable to Participants' Accounts as capital, notwithstanding net assets attributable to Participants' Accounts are classified as a liability.

Applications and redemptions are reviewed relative to the liquidity of the scheme's underlying assets by the Responsible Entity. Under the terms of the Scheme's constitution, the Responsible Entity has the discretion to defer or adjust a redemption if the exercise of such discretion is in the best interests of participants.

All investments in the Scheme are of dollar value (non-unitised), are of the same class, and therefore carry equal rights. However, as Participant's select and invest in specific underlying mortgage loans, the risks and redemption ability of the investor is related to the relevant loan.

6. CASH FLOW INFORMATION

(a) Reconciliation of cash. For the purposes of the Statement of Cash Flows cash includes cash on hand and at bank

	30 June 2019 ($)	**30 June 2018 ($)**
Cash and Cash Equivalents	1,424,510	3,070,696
(b) Reconciliation of Cash Flow from Operations with Net Profit		
Profit from Operating Activities	1,772,890	1,269,980
Changes in Assets and Liabilities		
(Increase)/Decrease in Receivables	90,413	(96,369)
Increase/(Decrease) in Payables	(93,636)	12,321
Net Cash provided by Operating Activities	**1,769,667**	**1,185,932**

(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.

7. RELATED PARTY TRANSACTIONS

The Responsible Entity of the Scheme is Tidswell Financial Services Ltd ABN 55 010 810 607 (**TFSL**) whose ultimate holding company is Sargon Capital Pty Ltd (ACN 608 799 873).

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 $67,468 (2018: $99,285). In accordance with the Scheme Constitution and Prospectus, TFSL is entitled to receive a management fee as the Single Responsible Entity. This fee is 0.5% (2018: 0.5%) per annum of the Underlying Participant's Invested Funds calculated monthly. TFSL 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 recognised as Responsible Entity Fees in the Profit or Loss.

(c) Other General Administration Expenses

Other General Administration Expenses incurred by the Responsible Entity are reimbursed by the Scheme in accordance with the provisions of the Constitution. These expenses amounted to $331,404 (2018: $277,496) and are recognised in the Profit or Loss.

Other Related Party Transactions

(d) The following transactions occurred between the related entities:

The Scheme has no investment in TFSL or its associates.

As all underlying participants of the Scheme must first be a participant of The Tidswell Investment Plan, at reporting date The Tidswell Investment Plan had an investment of $8,850,900 (2018: $16,588,975) in the Scheme which is the total of participants' accounts disclosed in the Statement of Financial Position. TFSL is the trustee of The Tidswell Master Superannuation Plan, which is also an underlying participant of the Scheme and as at reporting date had an investment of $2,096,606 (2018: $4,090,067).

From time to time directors of TFSL, 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 other Scheme participants and are trivial in nature. At reporting date, director related entities held investments of $Nil (2018: $Nil).

(e) TFSL also receives remuneration on a fee for service basis for various administration services on normal commercial terms. These fees are levied directly against the borrowers not the Scheme.

(f)

(g) Accounts Payable

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

	30 June 2019 ($)	30 June 2018 ($)
Responsible Entity & other	52,260	163,221

These amounts are included in creditors and accruals.

(h) Custodian Fees

As of 5th March 2019, the custodian of the Scheme, Sargon CT Pty Ltd has become a related party. No fees were paid directly to the custodian by the Scheme.

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, which meets monthly, is responsible for developing and monitoring the risk management framework relating to the Scheme. This framework is established to identify, analyse and monitor Scheme related risks, and assess the adequacy of the procedures and controls put in place to mitigate them. Risk management policies and systems are reviewed regularly to ensure they reflect Scheme activities and changes to market conditions.

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

	30 June 2019 ($)	30 June 2018 ($)
Financial and other assets		
Cash and cash equivalents	1,424,510	3,070,696
Investments	8,850,900	13,964,500
Trade and other receivables	25,143	115,556
Total financial assets	**10,300,553**	**17,150,752**
Financial liabilities		
Trade and Other Payables	52,260	163,221
Mortgage Offset Accounts	1,397,393	398,556
Participants' Accounts	8,850,900	16,588,975
Total financial liabilities	**10,300,553**	**17,150,752**

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 (generally up to 12 months). Current Board approved policy LVRs are currently set at 65% for residential security, 55% for commercial and 45% for rural unless full Board approval is given.

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 currently 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.

Interest Rate Risk

The Scheme invests in financial assets for the primary purpose of obtaining a return on investment on behalf of its Participants. Investments held for investors are fixed interest in nature. Cash and cash equivalents are subject to interest rate risks and will fluctuate in accordance with movements in market interest rates.

The Scheme's exposure to interest rate movements on its investments was as follows:

	Floating Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	2019 ($'000)	2018 ($'000)	2019 ($'000)	2018 ($'000)	2019 ($'000)	2018 ($'000)	2019 ($'000)	2018 ($'000)
Financial Assets								
Cash	27	2,672	-	-	1,397	399	1,424	3,071
Receivables	-	-	-	-	25	116	25	116
Mortgage Loans	-	-	8,851	13,964	-	-	8,851	13,964
Total Financial Assets	**27**	**2,672**	**8,851**	**13,964**	**1,422**	**515**	**10,300**	**17,151**
Weighted average interest rate	1.75%	1.75%	9.28%	10.69%				
Financial Liabilities								
Payable	-	-	-	-	52	163	52	163
Mortgage Offset Account	-	-	-	-	1,397	399	264	399
Participants' Accounts	-	-	-	-	8,851	16589	8,851	16,589
Total Financial Liabilities	**-**	**-**	**-**	**-**	**10,300**	**17,151**	**10,300**	**17,151**
Weighted average interest rate	-	-	-	-				

The interest rates above provided interest income of $1,870,200 (2018: $1,374,832) which resulted in a rate of return for the scheme for the year ended 30 June 2019 of 9.39% (2018: 9.36%).

Sensitivity Analysis:

A 10% increase in the interest rates received on financial instruments would have increased the scheme return by 0.99% (2018: 1.02%). An equal change in the opposite direction would have decreased the scheme return by an equal opposite amount.

With investment loans being held for specific investors such analysis would be unrepresentative of the investor specific risk, which is instead directly linked to the interest rate of the loan they invest in.

(b) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. At 30 June 2019, the following financial assets were exposed to credit risk: cash and cash equivalents, trade and other receivables and mortgage loans.

Mortgage loans are subject to credit assessments and security valuations. Valuations are based on fair current market valuation. An operating manual sets out detailed procedures for lending and dealing with interest arrears and defaults. All loans are approved as follows:

- Loans less than $2.0m and within policy to be approved by the Investment Delegation, being A Peterson and either R Beard or F McNabb
- Loans between $2.0m and $4.0m and within policy to be approved by the Credit Delegation
- Loans in excess of $4.0m and within policy to be reviewed by the Credit Delegation and if thought fit, recommended for approval to the Full Board

Loan performance is reported to the Board on a monthly basis along with a provisioning report. The risk of loss is implicitly provided for in the carrying value of financial assets.

The Scheme holds collateral over the mortgage loans by a first mortgage registered with the relevant State Lands Titles Office over the security property. Current Board approved policy LVRs on security property are currently set at 65% for residential security, 55% for commercial and 45% for rural unless full Board approval is given.

The credit risk on financial assets of the Scheme, which have been recognised on the Statement of Financial Position, is the carrying amount as stated.

Due to the nature of the Scheme, whereby loans are held for specific investors, no analysis of credit concentrations is performed by the Responsible Entity.

Financial Assets Past Due Not Impaired

Loan Amount	Due Date	Collateral	Last Valuation Amount	Last Valuation Date
Year Ended 30 June 2019				
2,205,600	10/01/2019	Residential Property	$3,540,000	16/11/2017
245,300	10/04/2019	Residential Property	$700,000	24/10/2018
Year Ended 30 June 2018				
550,000	10/06/2018	Residential Property	$910,000	17/08/2017 & 27/08/2017
1,755,000	10/03/2018	Residential Property	$2,700,000	25/10/2017
355,000	10/12/2017	Commercial Property	$560,000	09/02/2018

(c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. In line with the nature of the direct mortgage investments, the Scheme will remain an illiquid Scheme under the Corporations Act 2001. During the term of a mortgage, 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. If the mortgage is in default, an investor will not be able to withdraw. These liquidity terms are disclosed to investors in the Product Disclosure Statement.

Contractual Maturities of Financial Liabilities

Distributions are paid to investors within one month of accrual.

Mortgage Offset Accounts are managed by the Responsible Entity on behalf of the borrower over the period of the loan.

Participant accounts are subject to limitations due to illiquidity as detailed above.

Trade and other payables are due within a month days.

(d) Net Fair Values of Financial Assets and Liabilities

The Scheme's financial assets and liabilities are included in the Statement of Financial Position at amounts that approximate net fair value. The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in Note 1(a) of the Statement of Significant Accounting Policies section.

As at 30 June 2019 the carrying amounts of the asset class Loans and Receivables were equal to fair values, $8,850,900 (2018: $13,964,500). As at 30 June 2019 the carrying amounts of remaining

assets were equal to fair values, $1,449,653 (2018: $3,186,252). As at 30 June 2019 the carrying amounts of financial liabilities were equal to fair values, $10,300,553 (2018: $17,150,752).

Financial Instruments Measured at Fair Value

The financial assets recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Assets valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Assets valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (ie derived from prices) (Level 2); and
- Assets valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Scheme holds no financial instruments that fall within this fair value hierarchy.

(e) Operational Risk

Operational risk is the risk of loss arising from causes associated with the processes, technology and infrastructure supporting the Scheme's activities with financial instruments either internally within the scheme or externally at the Scheme's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements.

The Scheme's objective is to manage operational risk so as to balance mitigation of risk with achieving its investment objective and generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Directors of the Responsible Entity.

The Directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular reporting, ad-hoc discussions and an annual on-site review with the service providers and a review of the service providers' GS007 report on internal controls.

Substantially all of the assets of the Scheme are held by Sargon CT Pty Ltd (former Australian Executor Trustees (SA) Pty Ltd). Bankruptcy or insolvency of the Scheme's custodian may cause the Scheme's rights with respect to the securities held by the custodian to be delayed or limited. The Responsible Entity monitors the capital adequacy of its custodian quarterly and reviews the findings documented in the GS007 report on the internal controls annually.

The Scheme has provided the custodian a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part of the standard contractual terms of the custody agreement.

9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2019 or 30 June 2018.

10. EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the financial year and the date of this report there has not arisen any other item, transaction or event of a material and unusual nature likely in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

11. SCHEME DETAILS

The registered office and principal place of business of the Responsible Entity, Tidswell Financial Services Ltd, and the Scheme is 50 Hindmarsh Square, Adelaide SA 5000.

12. AUDITOR'S REMUNERATION

Auditor remuneration in relation to the Scheme for the year ended 30 June 2019 totalled $24,700 (2018: $21,640). This is comprised of $18,100 (2018: $17,640) for audit services and $6,100 (2018: $4,000) for other services (compliance services). All Auditor remuneration in respect to the Scheme is paid by the Responsible Entity and as such is not included in the expenses in the Profit or Loss.

Responsible Entity's Directors' Declaration

The Directors of Tidswell Financial Services Ltd, Responsible Entity of The Direct Mortgage Managed Investment Scheme, declare that:

1. The financial statements and notes, as set out on pages 7 to 25, are in accordance with the Corporations Act 2001:

   (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2019 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 Tidswell Financial Services Ltd:

TIDSWELL FINANCIAL SERVICES LTD

ANDREW PETERSON

Director
30 September 2019

Independent Auditor's Report

To the unitholders of The Direct Mortgage Managed Investment Scheme

Opinion

We have audited the ***Financial Report*** of The Direct Mortgage Managed Investment Scheme (the Scheme).

In our opinion, the accompanying ***Financial Report*** of The Direct Mortgage Managed Investment Scheme is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 30 June 2019, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2019
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in The Direct Mortgage Managed Investment Scheme's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' Report. The Directors of Tidswell Financial Services Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors of Tidswell Financial Services Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the 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.

KPMG

KPMG

Dean Waters

Partner

Melbourne

30 September 2019