Mantra Hindmarsh Square Managed Investment Scheme ARSN 089 814 193

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 Mantra Hindmarsh Square 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 registered office and principal place of business of the Responsible Entity and the Scheme is 50 Hindmarsh Square, Adelaide SA 5000.

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

Mantra Hindmarsh Square is a managed investment scheme registered under the Corporations Act 2001. The apartments are operated as a hotel, where the income from all Scheme apartments is pooled and, after payment of certain expenses, the net income is distributed to the Owners of the apartments in accordance with their entitlements.

REVIEW AND RESULTS OF OPERATION

Results – Financial Year

The financial result of the Scheme for the year 1 July 2018 to 30 June 2019 on an accrued basis was a return on investment of 7.29% (the Budget for the financial year ended 30 June 2019 forecast a return of 7.63%). The total net profit for the year before distributions was $3,509,298 (2018: $3,955,200).

During the year 1 July 2018 to 30 June 2019, the total rental income from room revenue was 3.96% below the Budget for the financial year.

The Scheme had total assets valued at $3,462,725 as at 30 June 2019 (2018: $3,450,947). The basis for valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

Distributions

Distributions paid by the Scheme during the financial year were:

	($)
Cash distribution for July 2018	312,795
Cash distribution for August 2018	224,142
Cash distribution for September 2018	212,500
Cash distribution for October 2018	338,425
Cash distribution for November 2018	264,661
Cash distribution for December 2018	324,299
Cash distribution for January 2019	265,334
Cash distribution for February 2019	303,110
Cash distribution for March 2019	275,233
Cash distribution for April 2019	302,285
Cash distribution for May 2019	299,974
Cash distribution for June 2019 (accrued in June, paid in July 2019)	174,363
Accrued distribution (repairs and maintenance fund, scheme cost budget, furniture and equipment and other accrued income)	212,178
Total Distributions	**3,509,298**

Units on Issue

There are 175 Apartments in the Scheme. Each Apartment Owner is entitled to a share in the Scheme income based on the original capital cost of the Apartment, furniture package and stamp duty, as a percentage of the total capital cost.

As at 30 June 2019, 7 Apartments have been sold privately during the financial year.

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

Further information about likely 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 because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

ENVIRONMENTAL REGULATION

The Scheme's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. However, the Responsible Entity believes that the Scheme has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they may apply to the Scheme.

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for the year ended 30 June 2019

INTERESTS OF THE RESPONSIBLE ENTITY

Management fees are calculated monthly in accordance with the Constitution at 4% of the Revenue amount calculated for the previous month (with a minimum amount payable of $21,508 per month increased annually for CPI). The Responsible Entity was paid fees detailed in the following table.

Furthermore, the Responsible Entity has incurred a number of costs charges and expenses on behalf of the Scheme in establishing the scheme and administering the scheme each year. These costs have been calculated in accordance with the terms of Schedule 1 of the Scheme Constitution and amount to a cumulative total of $183,463 as at 30 June 2019 (2018: $198,452).

During the year ended 30 June 2019 the Responsible Entity received management fees and reimbursements as detailed below:

Management fees	$324,159
Reimbursement of expenses	$88,268

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.

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 2020. 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

Director

30 September 2019

FIONA MCNABB

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 Mantra Hindmarsh Square 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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Revenue			
Room Revenue		7,991,669	8,527,157
Other Room Revenue		217,483	177,152
Other Hotel Income		1,935,936	1,998,461
Interest Received	3	48,307	114,880
Total revenue		**10,193,395**	**10,817,650**
Expenses			
Distributions	6	3,509,298	3,955,200
Hotel Operator Fee (Other Income)		1,935,936	1,998,461
Hotel Operator Fee (48%)		3,940,393	4,178,069
Responsible Entity Fees	10(b)	324,159	345,205
Custodian, Legal and Contingency		67,112	60,813
Bank Charges		174	175
Professional Indemnity Insurance		5,134	7,223
Auditor Fees		21,538	21,660
Repairs and Maintenance		102	11,050
Furniture and Equipment Depreciation	7	350,275	201,215
Credit Card Charges		39,274	38,579
Total expenses		**10,193,395**	**10,817,650**
Profit from operating activities		-	-
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 ($)	30 June 2018 ($)
Current Assets			
Cash and Cash Equivalents (Scheme Revenue Account)	11(b)	1,032,616	729,248
Prepaid Refurbishment Costs	14	-	1,042,700
Financial Asset	10(d)	511,383	853,200
Trade and Other Receivables	13	381,879	522,978
Total Current Assets		**1,925,878**	**3,148,126**
Non-Current Assets			
Plant and Equipment	7	1,536,847	302,821
Total Non-Current Assets		1,536,847	**302,821**
Total Assets		**3,462,725**	**3,450,947**
Current Liabilities			
Trade and Other Payables	8	750,627	951,028
Accrued Distributions	2	1,175,251	2,197,098
Total Current Liabilities		**1,925,878**	**3,148,126**
Non-Current Liabilities			
Accrued Distributions	2	1,536,847	302,821
Total Non-Current Liabilities		**1,536,847**	**302,821**
Total Liabilities		**3,462,725**	**3,450,947**
Net Assets		-	-
Equity		-	-

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Retained Earnings			
Opening balance		-	-
Total comprehensive income		-	-
Closing balance		-	-

Statement of Cash Flows

For the year ended 30 June 2019

	Note	30 June 2019 ($)	30 June 2018 ($)
Cash flows from operating activities			
Goods and services tax paid		(284,812)	(401,073)
Receipts from guests		11,277,832	11,637,184
Interest income received		47,847	121,826
Responsible entity fees paid		(356,627)	(373,820)
Distributions paid to owners		(3,324,217)	(3,411,651)
Prepayment for refurbishment	14	-	(1,042,700)
Hotel operator fee and other scheme costs paid		(5,841,753)	(6,828,713)
Net cash (used in)/provided by operating activities	**11(a)**	**1,518,270**	**(298,947)**
Cash flows from investing activities			
Net investment of repairs and maintenance funds		369,399	412,849
Investment in furniture and equipment		(1,584,301)	(16,929)
Net cash (used in)/provided by investing activities		**(1,214,902)**	**395,920**
Net increase/ (decrease) in cash held		303,368	96,973
Cash at beginning of the financial year		729,248	632,275
Cash at end of the financial year	**11(b)**	**1,032,616**	**729,248**

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 Mantra Hindmarsh Square 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 26 September 2019.

Basis of Preparation

Statement of Compliance

These 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 (AASBs) 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, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(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.

Management of the Scheme's Responsible Entity has determined the investment portfolio, as a whole, satisfies the held for trading financial asset criteria.

ii. 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 tangible 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.

(d) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of asset	Depreciation rate
Furniture and equipment	20%
Property improvements	10%-12.5%

(e) Income and Expenses

Income

Room Revenue and Other Hotel Income are brought to account on an accrual basis when the accommodation is provided by the Hotel Operator.

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

Expenses

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 Prospectus, Tidswell Financial Services Ltd (**TFSL**) receives a fee as the Responsible Entity. This fee is calculated on a monthly basis as the higher of 4% of the revenue from apartments in the rental pool and $21,508 increased annually for CPI.

The custodian of the Scheme is Sargon CT Pty Ltd (former Australian Executor Trustees (SA) Pty Ltd) and receives a fee for its services which is disclosed in the Statement of Profit or Loss.

(f) Owners' Funds and Distributions

Owners' Funds

The following accruals have been included in Owners funds at the end of the year and include cash held for Scheme purposes, accrued income and non-cash expenses:

	30 June 2019 ($)	30 June 2018 ($)
Repairs and Maintenance Fund	600,415	692,977
Scheme Costs Budget	(2,876)	1,213
Furniture and equipment depreciation / Repair & Maintenance	(350,377)	(201,215)
Investors accrued income	(34,984)	54,542
Total accrued distribution	**212,178**	**547,517**

Distributions

The Scheme distributes its distributable income, in accordance with the Scheme's Constitution, to Owners in cash. The distributions are recognised in profit or loss as an expense to the Scheme.

(g) Repairs and Maintenance Fund

A percentage of Revenue is set aside in the Scheme bank account as a Repairs and Maintenance Fund for the repair and maintenance of the Owners' Apartments and Equipment. During the year ended 30 June 2019 this was 7.0% of Revenue (2018: 7.0%).

Amounts paid from the Repairs and Maintenance Fund during the year are expensed and reported in the Profit or Loss.

Any accumulated funds not required for immediate use may be invested (currently in the Pooled Mortgage Managed Investment Scheme which is also managed by TFSL refer Note 10(d)). Any income earned on this account is accumulated in the Repairs and Maintenance Fund.

These funds are shown on the Statement of Financial Position under Cash and Cash Equivalents, Financial Asset and Receivables. The corresponding liability is held as part of Accrued Distributions a breakdown of which is detailed at Note 2.

(h) Taxation

Under current legislation the Scheme is not subject to income tax as the taxable income is distributed in full to the Owners. Any liability for income tax must be taken up by Owners as part of their personal liability for tax.

(i) 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.

(j) Trade and Other Payables

Payables includes liabilities and accrued expenses owing by the Scheme which are unpaid as at reporting date.

(k) Trade and Other Receivables

Accounts Receivable includes GST recoverable from the ATO and other sundry amounts owing to the Scheme. Income Receivable includes accrued distribution income and accrued income on interest bearing investments.

(l) 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.

(m) Comparative Figures

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

(n) 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 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 the new standard. AASB 9 has been applied retrospectively by the Fund from 1 July 2018. 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 financial assets of the Scheme comprise of unlisted private equity investments, refer to Note 10(d). Under AASB 139 these financial assets were previously classified as being designated at fair value through profit or loss. Under AASB 9 these financial assets are now mandatorily at fair value through profit or loss

The derecognition rules have not been changed from the previous requirements, and the Scheme does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Scheme's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Scheme.

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

AASB 15 became effective for annual periods beginning on or after 1 January 2018 which 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 directors adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e.1 July 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings at 1 July 2018.

Retained earnings	Revenue	Impact of adopting AASB 15 as at 1 July 2018
Room Revenue	8,209,152	No change, the revenue is the same
Other Hotel Income	1,935,936	No change, the revenue is the same

The Scheme's main source of income are hotel room revenue and interest income.

Contract balances

There are no receivables from contract assets at year ended 30 June 2019 or 30 June 2018.

During the year, contract assets are transferred to receivables when the rights become unconditional.

There are no contract liabilities as at 30 June 2019.

Performance obligations and revenue recognition policies

Revenue is measured, directly in accordance with the consideration specified in contracts with customers.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations including payment terms	Revenue recognition under AASB 15 (from 1 July 2018)	Revenue recognition under IAS 18 (before 1 July 2018)
Platform revenue	Services are performed, recognised and invoiced.	Recognised when performed	Recognised when performed

(o) Standards issued but not yet effective

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

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

AASB 16 Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 is not expected to not have a material impact on the financial statements as the Scheme doesn't make any lease payments.

2. ACCRUED DISTRIBUTIONS

The following accruals have been included in Owners' funds at the end of the year:

	30 June 2019 ($)	30 June 2018 ($)
Scheme Cost Budget		
Opening Balance	2,590	1,377
Net Distributions	(2,876)	1,213
Closing Balance	(286)	2,590
Repairs and Maintenance Fund		
Opening Balance	2,021,486	1,345,437
Purchase of Furniture / Repair & Maintenance	(1,584,402)	(16,929)
Net Distributions	600,415	692,978
Closing Balance	1,037,499	2,021,486
Owners' Distributions from Accrued Income		
Opening Balance	173,022	118,480
Net Distributions	(34,984)	54,542
Closing Balance	138,038	173,022
Total Current Accrued Distributions	**1,175,251**	**2,197,098**
Furniture and Equipment		
Opening Balance	302,821	487,107
Purchase of Furniture	1,584,301	16,929
Disposal of Furniture	-	-
Depreciation	(350,275)	(201,215)
Closing Balance	1,536,847	302,821
Total Non-Current Accrued Distributions	**1,536,847**	**302,821**
Total Accrued Distributions	**2,712,097**	**2,499,919**

3. INTEREST INCOME

Cash and cash equivalents	17,246	14,960
Managed funds	31,061	99,920
Total	**48,307**	**114,880**

4. AUDITOR REMUNERATION

Auditor remuneration in relation to the Scheme for the year ended 30 June 2019 totalled $28,038 (2018: $28,160). This is comprised of $21,538 (2018: $21,660) for audit services which is payable by the Scheme, and $6,500 (2018: $6,500) for other services which is payable by the Responsible Entity.

5. OWNERS' FUNDS

Owners assign the right to the use of their apartment to the Scheme. The Scheme held no net assets (capital) at any point in time. Net assets are fully distributed during the year, accordingly there is no balance of owner funds as at 30 June 2019 (2018: $Nil).

6. DISTRIBUTIONS

	30 June 2019 ($)	30 June 2018 ($)
Distributions attributable to Owners	3,262,136	3,462,225
Distributions attributable to Repairs and Maintenance	600,415	692,977
Distributions attributable to Scheme Cost Budget	(2,876)	1,213
Distributions attributable to Furniture Depreciation / Repair and & Maintenance	(350,377)	(201,215)
Total Distributions	**3,509,298**	**3,955,200**

7. PLANT AND EQUIPMENT

Plant and Equipment – at cost	3,316,063	1,731,762
Less accumulated depreciation	(1,779,216)	(1,428,941)
Plant and Equipment – carrying amount at end of year	**1,536,847**	**302,821**
Movement in carrying amounts		
Plant and Equipment		
Opening Balance	302,821	487,107
Additions	1,584,301	16,929
Disposals	-	-
Depreciation Expense	(350,275)	(201,215)
Closing Balance	**1,536,847**	**302,821**

8. TRADE AND OTHER PAYABLES

	30 June 2019 ($)	30 June 2018 ($)
Responsible Entity	42,724	107,639
Hotel Operator	503,622	543,836
Distributable Owner's Cash	174,392	201,459
GST Liabilities	29,889	88,144
Other Payables	-	9,950
Total Trade and Other Payables	**750,627**	**951,028**

9. CONTINGENT LIABILITY

The Responsible Entity has incurred a number of expenses on behalf of the Scheme, which totalled $183,463 at 30 June 2019 (2018: $198,452). The Responsible Entity does not intend to claim reimbursement of $183,463 at the present time unless it ceases to be the Responsible Entity (e.g. a meeting is called to wind up the Scheme or replace TFSL as the Responsible Entity), or an apartment is withdrawn from the Scheme, or excess funds remain in the Scheme Costs Budget Fund from year to year.

10. RELATED PARTIES

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 however 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 $324,159 (2018: $345,205). Responsible Entity fees are calculated in accordance with the Scheme Constitution and Prospectus as the higher of 4% of the revenue from apartments in the rental pool and $21,508 (increased annually by CPI) on a monthly basis. Responsible Entity fees charged for the period are recognised in the Profit or Loss.

(c) Other General Administration Expenses

The Responsible Entity is entitled, under the Scheme Constitution, to be reimbursed for certain expenses incurred in administering the Scheme. The basis on which expenses are reimbursed is defined in the Scheme Constitution. The amount reimbursed for the period totalled $54,000 (2018: $46,000) and is recognised in the Profit or Loss and was calculated in accordance with the Scheme Constitution.

Other Related Party Transactions

(d) Related party investments held by the Scheme

The Mantra Hindmarsh Square Managed Investment Scheme invests in The Pooled Mortgage Managed Investment Scheme (**PMMIS**), which is a related managed investment scheme that invests in mortgage loans. The PMMIS is a separate entity although it remains a sub-scheme and authorised investment of The Tidswell Investment Plan (**TIPMIS**). The Responsible Entity receives fees for the management of this related entity.

Details of the Scheme's investment in other schemes operated by TFSL is set out below:

Scheme	Amount Invested $	New Investments $	Redemptions $	Distributions $
30 June 2019				
TIP PMMIS	511,383	51,000	400,000	31,061
Total	**511,383**			**31,061**
30 June 2018				
TIP PMMIS	853,200	500,000	1,000,000	99,920
Total	**853,200**			**99,920**

At reporting date, an amount of $7,183 (2018: $7,056) of distributions was receivable from this investment.

(e) Other transactions with the Scheme

The following transactions occurred between the related entities:

No director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

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	42,724	107,639
Total	**42,724**	**107,639**

These amounts are included in creditors and accruals.

Other expenses totalling $183,463 have been incurred by the Responsible Entity on behalf of the Scheme since 1 July 1999 which have not been reimbursed as at the date of this report.

11. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash flows from operations to net profit:

	30 June 2019 ($)	30 June 2018 ($)
Operating Profit	-	-
Add/(less) non-cash items:		
Depreciation	350,275	201,215
Changes in assets and liabilities during the financial year:		
(Increase)/Decrease in Trade and Other Receivables	113,977	(128,835)
(Increase)/Decrease in Trade and Other Receivables	1,042,700	(1,042,700)
(Decrease) in Trade and Other Payables	11,318	671,373
Net Cash (Used In)/Provided by Operating Activities	**1,518,270**	**(298,947)**

(b) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short term deposits at call. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and Cash Equivalents (Scheme Revenue Account)		
Repairs and Maintenance Fund	518,208	90,373
Scheme Costs Budget Fund	40,596	65,237
Distributable Budget Fund	473,812	573,638
Total	**1,032,616**	**729,248**

(c) Non-cash financing and investment activities

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

12. EVENTS SUBSEQUENT TO REPORTING DATE

Further 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.

13. FINANCIAL RISK MANAGEMENT

The Scheme assets are limited to funds held for repairs and maintenance and distributions, and trade receivables. Investors in the Scheme make their apartments available for use by the Scheme to generate revenue, however, the apartments do not form part of the Scheme assets.

The Scheme maintains positions in a variety of non-derivative financial instruments. The Scheme's investment portfolio includes bank deposits and investments in other schemes.

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

	30 June 2019 ($)	30 June 2018 ($)
Hotel Income Receivable	381,879	495,856
Trade and Other Receivables	-	27,122
Total	**381,879**	**522,978**

(a) Market Risk

Market risk embodies the potential for losses and gains and includes currency risk, interest rate risk and price risk. The Responsible Entity manages the Scheme's exposure to market risks.

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 fair value with changes recognised in the Profit or Loss, all changes in market conditions will directly affect Total Income.

The scheme invests in an unlisted managed investment scheme, which is valued at the redemption value as reported.

Sensitivity Analysis

A 3% increase in the value of the managed investment scheme would have increased Total Current Assets and Total Income by $11,456 (2018: by $25,596). An equal change in the opposite direction would have decreased the Total Current Assets and Total Income by an equal opposite amount.

Interest Rate Risk

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its investors. These investments 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:

	Weighted Average Effective Interest Rate		Interest bearing		Non-interest bearing		Total	
	2019 (%)	2018 (%)	2019 ($)	2018 ($)	2019 ($)	2018 ($)	2019 ($)	2018 ($)
Financial Assets								
Cash	1.75	1.75	1,032,616	729,248	-	-	1,032,616	729,248
Investments	5.96	6.56	511,383	853,200	-	-	511,383	853,200
Receivables	-	-	-	-	381,879	522,978	381,879	522,978
Total Financial Assets			1,543,999	1,582,448	381,879	522,978	1,925,878	2,106,426
Financial Liabilities								
Sundry Creditors	-	-	-	-	1,925,417	3,148,126	1,925,417	3,148,126
Total Financial Liabilities			-	-	1,925,417	3,148,126	1,925,417	3,148,126

The effect of a change in interest rate on Total Assets and Total Income is immaterial.

(b) Credit Risk

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 units in managed funds. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of on Statement of Financial Position financial assets. 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.

Financial Assets Past due not impaired

	30-59 days ($)	60-89 days ($)	90-119 days ($)	> 119 days ($)
Aged debtors for Year-End 30 June 2019	128,992	2,081	12,149	-
Aged debtors for Year-End 30 June 2018	174,735	16,029	2,530	-

(c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's liquidity is constantly monitored to ensure sufficient cash flow is available to meet requirements. The regular inflow of cash funds is sufficient to keep any liquidity risk at a relatively low level.

The payment of $605,884 (2018: $842,682) representing Trade and Other Payables and $138,038 (2018: $173,022) of Accrued Distributions is dependent on the receipt of trade and other receivables by the Scheme. However, accrued distributions to investors include $1,037,213 (2018: $2,024,076) (representing funds held for Repairs and Maintenance and Scheme Costs Budget) as a liability at reporting date which is not payable to investors unless the scheme is wound up.

GST liabilities and deposits held from guests have a maturity of less than 3 months.

(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 financial assets were equal to fair values, $1,925,878 (2018: $2,105,426). As at 30 June 2019 the carrying amounts of financial liabilities were equal to fair values, $1,925,878 (2018: $3,148,126).

Financial Instruments Measured at Fair Value

The financial instruments 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:

- Instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Instruments 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
- Instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
30 June 2019				
Managed funds	-	511,383	-	511,383
Total	-	**511,383**	-	**511,383**
30 June 2018				
Managed funds	-	853,200	-	853,200
Total	-	**853,200**	-	**853,200**

Managed Funds classified as Level 2 relates to investments in related managed investment schemes that invest in mortgage loans. This classification has been applied as their value is not based on prices in active markets (Level 1), rather their value is based on the net assets of the underlying schemes at reporting date.

(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 (where available).

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.

14. REFURBISHMENT

During the year, most of the refurbishment works in the hotel were completed, further works will commence soon.

The refurbishments costs were classified as capital and are being depreciated over their useful life.

The Repair and Maintenance Fund currently holds sufficient funds to carry out the planned refurbishment.

There was no prepayment of refurbishment costs at 30 June 2019 (2018: $1,042,700)

15. 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.

Responsible Entity's Directors' Declaration

The Directors of Tidswell Financial Services Ltd, Responsible Entity of Mantra Hindmarsh Square 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 of the Scheme for the year ended on that date.

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

Director

30 September 2019

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Independent Auditor's Report

To the unitholders of Mantra Hindmarsh Square Managed Investment Scheme

Opinion

We have audited the ***Financial Report*** of Mantra Hindmarsh Square Managed Investment Scheme (the Scheme).

In our opinion, the accompanying ***Financial Report*** of the Mantra Hindmarsh Square 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 Mantra Hindmarsh Square 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, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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