

**KREMNIKER MORTGAGE FUND  
ARSN 101 518 067**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**KREMNIZER MORTGAGE FUND  
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**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

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**KREMNIKER MORTGAGE FUND**  
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**REPORT BY THE DIRECTORS OF BACCUS INVESTMENTS LIMITED**

The director presents their report together with the financial report of Kremnizer Mortgage Fund (“the fund”) for the financial year ended 30 June 2018 and independent review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

**Directors Names**

The names of the directors of Baccus Investments Limited, the Responsible Entity for the fund, in office at any time during or since the end of the year ended 30 June 2018 were:

<b>Name</b>	<b>Period of Directorship</b>
Robert Kremnizer	Since 1 August 2004
Anthony Etzine	Since 1 August 2004
David Bleier	Since 27 May 2010

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

**Principal activities**

The principal activity of the fund during the financial year was a registered syndicated mortgage scheme.

**Operating results**

The fund derived a distributable surplus of \$418,586.

**Distributions paid or recommended**

The fund paid a distribution of \$418,586 during the year.

**Review of operations**

The directors consider that the fund operated satisfactory during the year ended 30 June 2018 in accordance with its deed. The fund had syndicated mortgage loans of \$131,724,360, before provision for impairments, at the balance date, an increase of 11.62% on 2017.

**Significant changes in state of affairs**

The directors do not consider there were any significant changes in the state of affairs during the year ended 30 June 2018.

**After balance date events**

No matter or circumstance has arisen since the end of the financial year, which significantly affected or may significantly affect operations of the fund, the results of those operations, or the state of affairs of the fund in subsequent financial years.

**Future developments**

The directors intend to continue to conduct the management of the affairs of the Kremnizer Mortgage Fund in an efficient manner satisfactory to its obligations.

**Environment issues**

The fund’s operations are not subject to environmental regulation under the law of the Commonwealth and New South Wales.

**Auditor’s Independence Declaration**

A copy of the auditor’s independence declaration in relation to the audit for the financial year is provided with this report.

**KREMNIKER MORTGAGE FUND**  
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**Meetings of directors**

DIRECTORS	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Robert Kremnizer	8	8
Anthony Etzine	8	8
David Bleier	8	8

**Director's emoluments**

No emoluments were paid to the directors by the fund.

**Indemnifying officers or auditor**

The responsible entity has paid premiums to insure each of the directors and officers against liabilities for fraud and professional indemnity incurred by them in acting as the responsible entity of the Kremnizer Mortgage Fund. During and since the end of the financial year the responsible entity has not given any indemnity or entered into agreement to indemnify the directors or auditors of the responsible entity.

**Options**

The fund does not have a share capital.

**Funds Details**

- a) The fees paid to the responsible entity and its associates out of the fund property during the financial year were **\$4,777,436**.
- b) The number of interests in the fund held by the responsible entity or its associates as the end of the financially year are within **18** separate First Mortgage Syndicates.
- c) Interests in the fund issued during the financial year were **\$383,568,440** of which **\$145,028,000** related to mortgage interests.
- d) Withdrawals from the fund during the financial year were **\$364,598,162** of which **\$131,312,360** related to mortgage interests.
- e) The value of the member's funds as the end of the financial year is **\$141,715,855**. The basis for the valuation of the fund's assets is at historical cost less provision for impairment.
- f) The number of Mortgage Syndicates in the fund at the end of financial year is **115**.

Signed in accordance with a resolution of the Board of Directors of Baccus Investments Limited.

Director .....  
  
 Anthony Etzine

Director .....  
  
 Robert Kremnizer

Dated this **21** day of September 2018



**PITCHER PARTNERS**  
ACCOUNTANTS AUDITORS & ADVISORS

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF BACCUS INVESTMENTS LIMITED**

In relation to the audit of the financial statements of Kremnizer Mortgage Fund for the year ended to 30 June 2018, to the best of my knowledge and belief there has been:

- i. No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- ii. No contraventions of any applicable code of professional conduct.

M A GODLEWSKI

Partner

PITCHER PARTNERS

Sydney  
21 September 2018

**KREMNIKER MORTGAGE FUND**  
**ARSN 101 518 067**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
		\$	\$
	Notes		
Revenue	2	21,427,460	15,747,762
Impairment gain/(loss) on other financial assets		906,000	-
Borrowing costs expense		(15,072,112)	(10,658,498)
Other expenses from ordinary activities	3	(6,842,762)	(4,791,502)
<b>Profit for the year before income tax</b>		<u>418,586</u>	<u>297,762</u>
Income tax applicable		-	-
<b>Profit for the year</b>		<u>418,586</u>	<u>297,762</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<u>418,586</u>	<u>297,762</u>

The accompanying notes form part of these financial statements

**KREMNIZER MORTGAGE FUND**  
**ARSN 101 518 067**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
Cash assets and cash equivalents	4	13,335,492	7,079,897
Other financial assets	5	130,613,360	117,803,720
<b>TOTAL ASSETS</b>		<u>143,948,852</u>	<u>124,883,617</u>
<b>LIABILITIES</b>			
Trade & other payables	6	2,232,997	1,232,040
Members Funds	7	141,715,855	123,651,577
<b>TOTAL LIABILITIES</b>		<u>143,948,852</u>	<u>124,883,617</u>

The accompanying notes form part of these financial statements

**KREMNIKER MORTGAGE FUND  
ARSN 101 518 067**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
<b>TOTAL EQUITY AT THE BEGINNING OF THE YEAR</b>	<u>-</u>	<u>-</u>
Profit for the year	418,586	297,762
Distributions paid	<u>(418,586)</u>	<u>(297,762)</u>
	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY AT THE END OF THE YEAR</b>	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements



**KREMNIKER MORTGAGE FUND**  
**ARSN 101 518 067**

**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Borrowing Costs, Interest and Application Fees Received	7,252,201	5,083,386
Payments to suppliers	<u>(6,455,048)</u>	<u>(4,633,160)</u>
<b>Net cash provided by / (used in) operating activities</b> 9(a)	<u>797,153</u>	<u>450,226</u>
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Funds Advanced to Borrowers	(13,715,640)	(19,158,000)
Interest Received from Investments	9,148	6,339
<b>Net cash provided by / (used in) investing activities</b>	<u>(13,706,492)</u>	<u>(19,151,661)</u>
 <b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
(Decrease) / Increase in Other Funds Held in Trust	613,242	214,874
Net Funds Received from Members	18,970,278	23,556,525
Distributions paid to Responsible Entity	<u>(418,586)</u>	<u>(297,762)</u>
<b>Net Cash provided by / (used in) financing activities</b>	<u>19,164,934</u>	<u>23,473,637</u>
 <b>Net increase / (decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the year	<u>7,079,897</u>	<u>2,307,695</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>13,335,492</u></u>	<u><u>7,079,897</u></u>

The accompanying notes form part of these financial statements

**KREMNIKER MORTGAGE FUND**  
**ARSN 101 518 067**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Kremnizer Mortgage Fund ('the Fund') is a registered mortgage scheme registered and domiciled in Australia. This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors of the responsible entity have determined the fund is not a reporting entity.

The financial report is for Kremnizer Mortgage Fund a registered mortgage fund, domiciled in Australia.

The financial report has been prepared in accordance with the measurement requirements of all applicable Accounting Standards, and the disclosure requirements of:

AASB 101:	Presentation of Financial Statements
AASB 107:	Statement of Cash Flows
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1048:	Interpretation of Standards
AASB 1054:	Australian Additional Disclosures

The following specific accounting policies, which are consistent with the previous year unless otherwise stated, have been adopted in the preparation of this report. No other applicable Accounting Standards or other authoritative pronouncements of the Australian Accounting Standards Board have been applied. The report is also prepared on an accruals basis and is based on historic costs and do not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous year unless otherwise stated, have been adopted in the preparation of this report:

**(a) Income Tax**

Under current Australian Income Tax Legislation, the Fund is not liable to income tax provided it distributes an amount to its beneficiaries equal to its taxable income for the year.

**(b) Cash**

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

**(c) Revenue**

The fund collects the interest on mortgages as agent for the individual syndicates. To be consistent with the classification of mortgage investments as an asset of the fund the related interest is disclosed as revenue of the fund. The interest received, which is distributed by the fund to individual syndicates, is disclosed as an expense of the fund. If interest is received in advance from the mortgagees the fund remits the interest to the syndicate members. Accordingly, interest on mortgage investments is recognised as revenue on receipt or when earned. Interest paid to individual syndicates is treated as an expense when paid or accrued.

**KREMNIKER MORTGAGE FUND**  
**ARSN 101 518 067**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**(d) Good and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, excepts where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the assets or as part of an item of the expenses. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

**(e) Other Financial Assets**

Mortgage investments shown in the Statement of Financial Position are not held collectively for all members of the fund. The Kremnizer Mortgage Fund is a syndicated mortgage fund whereby the individual syndicate members own each mortgage investment legally and beneficially. The mortgages are shown as assets of the fund; mortgage interest in relation to those mortgages has been shown as both income and expenditure of the fund. This income is fund property as defined in the Corporations Act 2001 but is derived by the individual syndicates in their own right.

Mortgage investments are tested for impairment and the losses on any, past or present, mortgage investment are reflected in these financial statements. Any impairment charge made either through the impairment or losses made at the realisation of a mortgage investment are borne by the members of the relevant syndicate and are directly accounted for as a reduction of the relevant amount payable to syndicate members.

**(f) Funds received from Syndicate Members**

Funds received from individual syndicate members are disclosed as liabilities. Transactions with syndicate members include any receipts of cash, conversions of cash interests to mortgage interests, any receipts from discharged mortgages and any reinvestment of proceeds from discharges. Transactions with syndicate members therefore include, at a minimum, an initial transaction when members invest cash, another transaction when a cash interest is converted to a mortgage interest, another transaction when the mortgage is discharged and a further transaction when the proceeds are returned to the relevant member. Transactions where a member invests, and without proceeding into a mortgage syndicate, then withdraws these funds are also reflected.

**(g) AASB Accounting Standards not yet effective**

At the reporting date several new accounting pronouncements have been issued by the Australian Accounting Standards Board (AASB) but are not yet effective. The directors intend to apply these accounting pronouncements in the annual reporting year in which the pronouncement becomes effective. The directors consider it unlikely that the new pronouncements will have a significant impact on the financial performance, financial position or the cash flows of the fund, other than requiring, in certain instances, disclosures to be made in addition to those presently disclosed.

**(h) Critical Accounting Estimates and Judgments**

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the fund to exercise its judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**KREMNIKER MORTGAGE FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**(h) Critical Accounting Estimates and Judgments (cont.)**

(a) Critical accounting estimates and assumptions

The fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates and assumptions used in the current year are disclosed in the above policies and the attached notes to the financial statements.

(b) Critical judgements in applying the fund's accounting policies

In the process of applying the fund's accounting policies the fund makes various judgements, apart from those involving estimations. During the current year the significant judgements are disclosed in the above policies and the attached notes to the financial statements.

**KREMNIKER MORTGAGE FUND  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$	2017 \$
<b>Note 2: Revenue</b>		
- Application Fees	5,079,596	3,485,367
- Interest	16,347,864	12,262,395
Total Revenue	21,427,460	15,747,762
- Interest from Bank	67,580	35,967
- Interest and Fees from Mortgage loans	16,280,284	12,226,428
	16,347,864	12,262,395
<b>Note 3: Profit from ordinary activities</b>		
Profit before income tax expense has been determined after:		
(a) Expenses:		
- Service Fees	6,703,234	4,692,248
- GST Unrecoverable	139,528	99,254
	6,842,762	4,791,502

**KREMNIKER MORTGAGE FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$	2017 \$
<b>Note 4: Cash &amp; Cash Equivalents</b>		
Cash at Bank	<u>13,335,492</u>	<u>7,079,897</u>
 <b>Note 5: Other Financial Assets</b>		
Mortgage Loans	131,724,360	118,008,720
Provision for impairment	<u>(1,111,000)</u>	<u>(205,000)</u>
	<u>130,613,360</u>	<u>117,803,720</u>
 <i>Mortgage loans comprise:</i>		
a) Mortgage loans past due and in arrears	2,925,000	-
b) Mortgage loans past due but not in arrears	8,878,360	12,642,720
c) Mortgage loans where a mortgagee has taken possession	2,350,000	7,585,000
d) Mortgage loans in arrears, but not past due	-	3,026,000
e) Conforming mortgage loans	<u>117,571,000</u>	<u>94,755,000</u>
	<u>131,724,360</u>	<u>118,008,720</u>

(a) Where a loan has passed the repayment date set out in the original borrowing agreement, without a new agreement to refinance the loan being issued, it is classified as past due. Where the borrower has failed to make one or more interest payments, and has not paid the amounts owing by 30 June 2018, the borrower is taken to be in arrears at this date.

(b) Where a loan has passed the repayment date set out in the original borrowing agreement, without a new agreement to refinance the loan being issued, it is classified as past due.

(c) Where a lender, whether it be a 3<sup>rd</sup> Party who also has a mortgage interest, or the responsible entity on behalf of the members, takes legal possession of the underlying security for the mortgage loan it is classified as a mortgage loan where a mortgagee has taken possession.

(d) Where a loan has not passed the repayment date set out in the borrowing agreement, but where interest payments were owed at 30 June 2018, it is classified as a mortgage loan in arrears but not past due.

(e) Where a loan has not passed the repayment date set out in the borrowing agreement, and the borrower has paid all interest amounts owing up to 30 June 2018, the loan is classified as a conforming mortgage loan.

**Note 6: Trade & other payables**

Trade & other payables	<u>2,232,997</u>	<u>1,232,040</u>
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**KREMNIKER MORTGAGE FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
<b>Note 7: Members Funds</b>		
Members funds	142,826,855	123,856,577
Provision for impairment	(1,111,000)	(205,000)
	141,715,855	123,651,577

**Note 8: Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

(i) Other Related Parties

The Fund paid services fees to Baccus Investments Limited being the responsible entity in accordance with the Constitution.

	2,575,883	1,794,386
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(ii) Directors of the responsible entity, their related entities and the responsible entity

- Investments in mortgage loans to Kremnizer Mortgage Fund

	3,680,000	2,370,000
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**Note 9: Cash Flow Information**

**(a) Reconciliation of net cash provided by operating activities with profit for the year**

Profit for the year	418,586	297,762
<i>Changes in assets and liabilities:</i>		
Increase / (Decrease) in payables	378,567	152,464
<b>Net cash provided by (applied to) operating activities</b>	<b>797,153</b>	<b>450,226</b>

**KREMNIZER MORTGAGE FUND**  
**ARSN 101 518 067**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**Note 10: Financial Instruments**

**(a) Interest Rate Risk**

The fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total	
	2018 %	2017 %	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
<b>Financial Assets:</b>										
Cash at bank	0.52	0.61	13,335,492	7,079,897	-	-	-	-	13,335,492	7,079,897
Other financial assets	9.94	11.08	-	-	130,613,360	117,803,720	-	-	130,613,360	117,803,720
<b>Financial Liabilities:</b>										
Creditors	-	-	-	-	-	-	2,232,997	1,232,041	2,232,997	1,232,040
Other Member Funds	8.45	9.74	-	-	141,715,855	123,651,577	-	-	141,715,855	123,651,577

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognized financial assets is the carrying amount of those assets, net of any provision of doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The fund does not have any material credit risk to any single debtor or group of debtors under financial instruments entered into by the fund.

**(c) Net Fair Value**

The net fair value for financial assets and liabilities is the net fair value approximates the carrying value. No financial assets and financial liabilities are readily traded on organized markets in standardized form. The aggregate net fair values carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

**Note 11: Fund Details**

The register office and principal place of business of the fund is Level 1, 369-371 New South Head Road, Double Bay NSW 2028.



**KREMNIKER MORTGAGE FUND**  
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**DIRECTORS' DECLARATION**

The directors of Baccus Investments Limited declare that the financial statements and notes set out on pages 4 to 14 in accordance with the *Corporations Act 2001*:

1. (a) comply with Australian Accounting Standards as detailed in Note 1 to the financial statements and the *Corporations Regulations 2001*; and  
(b) give a true and fair view of the financial position as 30 June 2018 and performance for the financial year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that Kremnizer Mortgage Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Director .....  
Anthony Etzine

Director .....  
Robert Kremnizer

Dated this 21 day of September 2018



**PITCHER PARTNERS**

ACCOUNTANTS • AUDITORS • ADVISORS

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**KREMNIKER MORTGAGE FUND  
101 518 067  
INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF KREMNIKER MORTGAGE FUND**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the special purpose financial report of Kremnizer Mortgage Fund, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the financial position as at 30 June 2018 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

*Basis for Opinion*

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

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

#### *Emphasis of Matter – Basis of Accounting*

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

#### *Information Other than the Financial Report and Auditor's Report Thereon*

The directors of the responsible entity are responsible for the other information. The other information comprises the information included in the director's report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

#### *Responsibilities of the Directors for the Financial Report*

The directors of the responsible entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary 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.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



MARK GODLEWSKI  
Partner



PITCHER PARTNERS  
Sydney

21 September 2018